成都高速公路股份有限公司

CHENGDU EXPRESSWAY CO., LTD.

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 1785

2018 ANNUAL REPORT

CONTENTS

DEFINITIONS

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below.

"AGM"	the annual general meeting of the Company to be held on 27 June 2019
"Articles of Association"	the articles of association of the Company
"Board"	the board of Directors of the Company
"Company"	Chengdu Expressway Co., Ltd. (成都高速公路股份有限公司), a joint stock company with limited liability incorporated in the PRC, the H Shares of which are listed and traded on the Stock Exchange
"Group"	the Company and its subsidiaries from time to time
"Chengbei Exit Expressway Company"	Chengdu Chengbei Exit Expressway Co., Ltd. (成都城北出口高速公路有限公司), a company incorporated in the PRC with limited liability on 6 September 1996, which is an associate of the Company with 40% of its equity interest held by the Company
"Chengdu Airport Expressway Company"	Chengdu Airport Expressway Co., Ltd. (成都機場高速公路有限責任公司), a company incorporated in the PRC with limited liability on 24 December 1997, which is a non-wholly owned subsidiary of the Company with 55% of its equity interest held by the Company
"Chengdu Communications"	Chengdu Communications Investment Group Co., Ltd. (成都交通投資集團有限公司), a company incorporated in the PRC with limited liability on 16 March 2007, which is one of the controlling shareholders of the Company
"Chengdu Communications Group"	Chengdu Communications and its subsidiaries
"Chengdu Expressway Construction"	Chengdu Expressway Construction and Development Co., Ltd. (成都高速公路建設開發有限公司), a company incorporated in the PRC with limited liability on 25 June 1996, which is one of the controlling shareholders of the Company
"Chengguan Expressway Company"	Chengdu Chengguan Expressway Co., Ltd. (成都成灌高速公路有限責任公司), a company incorporated in the PRC with limited liability on 25 August 1998, the predecessor of the Company

DEFINITIONS

"Chengpeng Expressway Company"	Chengdu Chengpeng Expressway Co., Ltd. (成都成彭高速公路有限責任公司), a company incorporated in the PRC with limited liability on 11 September 2002, which is a non-wholly owned subsidiary of the Company with 99.33% of its equity interest held by the Company
"Chengwenqiong Expressway Company"	Chengdu Chengwenqiong Expressway Co., Ltd. (成都成溫邛高速公路有限公司), a company incorporated in the PRC with limited liability on 26 October 1998, which is a wholly-owned subsidiary of the Company
"Chengyu Expressway Company"	Sichuan Expressway Company Limited (四川成渝高速公路股份有限公司), a joint stock company incorporated in the PRC with limited liability on 19 August 1997, the H shares and A shares of which are listed on the Stock Exchange (stock code: 00107) and the Shanghai Stock Exchange (stock code: 601107), respectively, and a substantial shareholder of Chengdu Airport Expressway Company
"Company Law"	the Company Law of the PRC (中華人民共和國公司法)
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and in this annual report, refers to Chengdu Communications and Chengdu Expressway Construction
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	ordinary Share(s) of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"Global Offering"	has the meaning ascribed thereto in the Prospectus
"H Share(s)"	overseas listed foreign Share(s) in the ordinary Share capital of the Company with nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and are approved to be listed and traded on the Stock Exchange
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Latest Practicable Date"	12 April 2019, being the latest practicable date for the inclusion of certain information in this annual report prior to its publication

DEFINITIONS

"Listing Date"	15 January 2019, the date when the H Shares of the Company are listed on the main board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"PRC", "China" or the "People's Republic of China"	the People's Republic of China, excluding, for purposes of this report only, Hong Kong, Macau Special Administrative Region and Taiwan
"Prospectus"	The prospectus of the Company dated 28 December 2018
"Reporting Period" or the "Year"	the annual period ended 31 December 2018
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the share(s) of the Company, including Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company

DEFINITIONS

GLOSSARY OF TECHNICAL TERMS

"Batch Payment Model"	a toll collection model only applicable to passenger vehicles with local licenses on Chengpeng Expressway and all vehicles with local licenses on Chengwenqiong Expressway which can pass through the toll plazas on these two expressways without toll payment. The relevant local governments, instead, pay the Group toll fees pursuant to the batch payment agreements entered with Chengpeng Expressway Company and Chengwenqiong Expressway Company, respectively, of which Chengpeng Expressway has restored the standard toll collection model in July 2018
"daily weighted-average traffic volume"	represents the summation of the daily traffic volume and mileage of each section of expressways, i.e. the section from an expressway toll station to the next toll station, divided by the sum of the mileage. For Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway and Chengdu Airport Expressway, the daily traffic volume includes the number of vehicles leaving the expressway's toll plazas, the number of vehicles entering the expressway but leaving from other expressways, and the number of vehicles passing by but not entering the expressways or leaving from the expressways' toll plazas, but excluding vehicles entitled to toll-free treatment such as vehicles using the expressway during national holidays and, for Chengdu Airport Expressway, also excluding vehicles that have purchased annual tickets. The traffic volume of Chengpeng Expressway and Chengwenqiong Expressway has taken into account the traffic volume under the Batch Payment Model
"ETC"	electronic toll collection
"Standard Toll Collection Model"	a toll collection model that requires payment at the time of passing-through and is applicable to all the vehicles on the expressways of the Group that are not eligible for the Batch Payment Model

CORPORATE PROFILE

The Group is principally engaged in the operation, management and development of expressways located in and around Chengdu, Sichuan province. As at the date of this annual report, the expressways controlled or invested by the Group include four self-owned expressways, i.e. Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway and Chengdu Airport Expressway, as well as Chengbei Exit Expressway in which the Company holds 40% equity interests, covering a total network mileage of 149.69 kilometers. Located strategically in areas adjacent to Chengdu, the Group's expressways are an integral part to the expressway network surrounding Chengdu which connect several districts with abundant economic, cultural and tourism resources. As at the end of the Reporting Period, total assets of the Group reached RMB5.194 billion.

- Chengguan Expressway is a major part of the G4217 national expressway and a key section connecting Sichuan province with Gansu province, Qinghai province and Tibet. It is also the main road to access Dujiangyan, Qingcheng Mountain, Jiuzhai Valley, Huanglong and other tourist attractions and connects most of the catalogued UNESCO World Heritage Sites located in Sichuan province.

- Chengpeng Expressway is a major part of the S105 provincial highway, which is a key component of the radial-shaped road network surrounding Chengdu and the main route connecting Chengdu to north areas of Sichuan province.

- Chengwenqiong Expressway is a major part of the S8 provincial expressway and is of economic and cultural significance to western Chengdu. As the only expressway in the region, it connects Wenjiang, Chongzhou, Dayi, Qionglai and other major satellite cities of Chengdu.

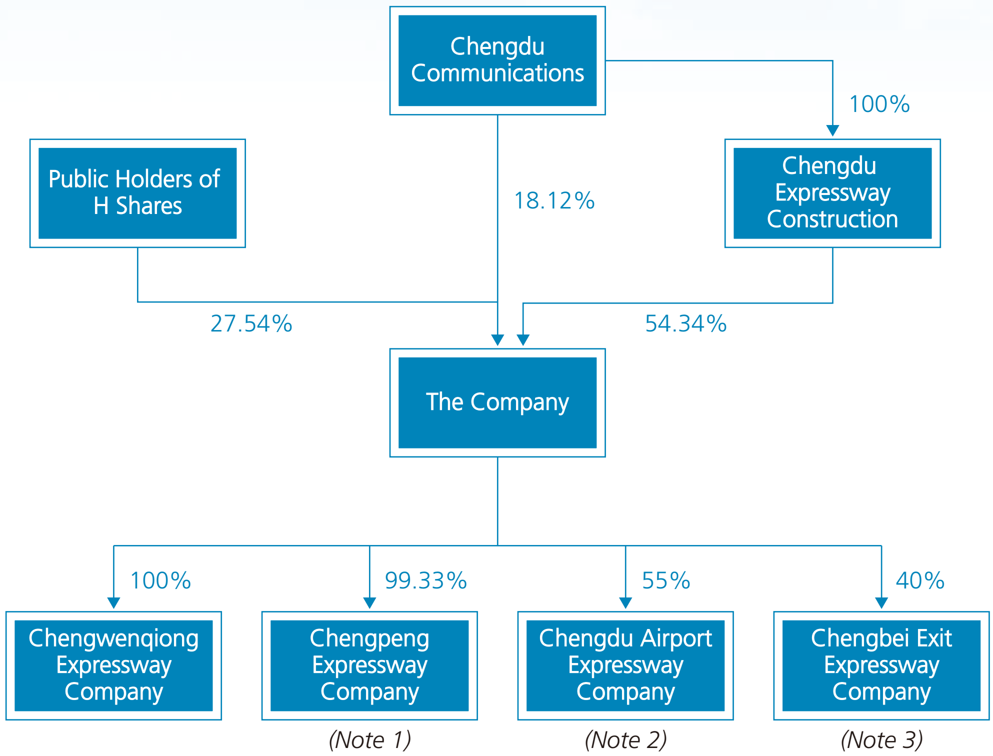
- Chengdu Airport Expressway is a major part of the S6 provincial expressway and the main expressway to Chengdu Shuangliu Airport from downtown Chengdu.

- Chengbei Exit Expressway forms part of the G5 Beijing-Kunming national expressway and is an important expressway connecting downtown Chengdu with Chengmian Expressway (成綿高速) and Chengdu Ring Expressway (成都繞城高速).

Since establishment, the expressways operated and managed by the Group have secured remarkable performance in maintenance, security and quality service and has garnered various honours such as "Twelfth Five-Year" Excellent Highway Maintenance and Management Enterprise of Sichuan Province ("十二五"全省幹線公路養護管理工作優秀單位), Provincial Model Enterprise for Safe Construction (省級安全文化建設示範企業), "Five Star" Expressway of Sichuan Province (四川省"五好"高速公路) and The Most Scenic Expressway in China of 2017 (2017最美中國高速公路).

GROUP STRUCTURE

The chart below sets out the Group's structure as at the date of this annual report:



The table below sets forth certain key operating data of the Group's expressways as at the date of this annual report:

	Percentage of Ownership	Length (km)	Number of Lanes	Number of Toll Stations	Commencement of Operation	Expiration Date
Chengguan Expressway	100%	40.44	6	7	July 2000	July 2030
Chengpeng Expressway	99.33%	21.32	6/8	4	November 2004	October 2033
Chengwenqiong Expressway	100%	65.60	6/4	12	January 2005	January 2035
Chengdu Airport Expressway	55%	11.98	4	1	July 1999	December 2024

Notes:

1. The Company holds 99.33% interest in Chengpeng Expressway through Chengpeng Expressway Company. The remaining 0.67% equity interest in Chengpeng Expressway Company is held by Pengzhou Zhengtongdaoqiao Construction Company Limited (彭州市正通道橋建設有限責任公司), an independent third party.

2. The Company holds 55% equity interest in Chengdu Airport Expressway through Chengdu Airport Expressway Company. The remaining 45% equity interest in Chengdu Airport Expressway Company is held by Chengyu Expressway Company and Sichuan Xinneng Real Estate Limited (四川新能置業有限公司) as to 25% and 20%, respectively.

3. Furthermore, the Company holds 40% equity interest in Chengbei Exit Expressway through Chengbei Exit Expressway Company, an associate of the Company. The remaining 60% equity interest in Chengbei Exit Expressway Company is held by Chengyu Expressway Company.

MAJOR EVENTS DURING THE REPORTING PERIOD

CONSTRUCTION PROJECTS

In June 2018, Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway, Chengdu Airport Expressway and Chengbei Exit Expressway completed the traffic road monitoring and emergency command system (Phase II) project which was put into normal operation.

In June 2018, Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway and Chengbei Exit Expressway completed the upgrade and renovation of high-definition license plate identification systems for 250 toll lanes, which were put into normal operation in the same month.

On 12 July 2018, Chengpeng Expressway reopened the previously closed sections due to the expansion construction projects and restored the Standard Toll Collection Model at the same time. Meanwhile, it raised the toll collection standard according to the approvals from Sichuan Provincial Government, Sichuan Provincial Development and Reform Commission and the Department of Transportation of Sichuan Province, making Chengpeng Expressway the first expressway within Sichuan Province to adjust the toll collection standard upon expansion.

AWARDS AND RECOGNITIONS

In January 2018, Chengguan Expressway, Chengwenqiong Expressway and Chengdu Airport Expressway were awarded the title of "Five Star Expressway" ("五好高速公路") by the Expressway Management Bureau of the Department of Transportation of Sichuan Province.

In January 2018, the Company, Chengwenqiong Expressway Company, Chengdu Airport Expressway Company and Chengbei Exit Expressway Company were awarded the title of "Advanced Expressway Management Enterprise" ("高速公路管理工作先進單位") by Chengdu Municipal Transportation Commission.

In January 2018, Chengpeng Expressway Company was commended by the Department of Transportation of Sichuan Province for "Good Performance on Accomplishing Expressways Construction Goal in 2017" ("2017年度高速公路建設目標任務完成較好").

In March 2018, Chengdu Airport Expressway Company and Chengbei Exit Expressway Company were awarded the title of "Advanced Enterprise on Spring Festival Transportation in 2018" ("2018年春運工作先進單位") by Chengdu Municipal Transportation Commission.

In November 2018, Wenjiang North Toll Station of Chengwenqiong Expressway won the title of the fifth session of the "Most Beautiful Road Collector Team in China" ("最美中國路姐團隊") by China Highway and Transportation Society.

In December 2018, Chengdu Airport Expressway Company was awarded the title of "National Model Enterprise for Safe Culture Construction in 2018" (2018年全國安全文化建設示範企業) by the China Association of Work Safety.

In December 2018, Chengpeng Expressway was awarded the title of "Five Star Expressway" ("五好高速公路") by the Expressway Management Bureau of the Department of Transportation of Sichuan Province.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

OPERATING RESULTS

	For the year ended 31 December			
	2015	2016	2017	**2018**
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
Revenue	785,090	1,185,201	1,784,298	**1,830,227**
Including:				
Toll Income	778,363	787,558	840,378	**985,898**
Construction revenue in respect of service concession arrangements	6,727	397,643	943,920	**844,329**
Gross profit	482,942	458,823	498,669	**594,214**
Profit before tax	360,220	380,797	428,378	**523,067**
Profit for the year	305,748	324,350	367,790	**446,042**
Total comprehensive income for the year attributable to owners of the Company	244,937	278,456	338,916	**415,488**

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2015	2016	2017	**2018**
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
Total assets	6,152,507	4,467,187	4,914,078	**5,194,176**
Total liabilities	4,472,355	2,412,725	2,646,970	**2,729,798**
Non-controlling interests	444,167	455,390	131,194	**134,967**
Equity attributable to owners of the Company	1,235,985	1,599,072	2,135,914	**2,329,411**

EARNINGS

	2015	2016	2017	**2018**
Earnings per share attributable to ordinary equity holders of the Company – Basic and diluted *(RMB)*	0.204	0.232	0.282	**0.346**

CHAIRMAN'S STATEMENT

Dear Shareholders,

In the past year of 2018, the Group made concerted efforts for development, which not only contributed to the steady increase in revenue and profit, but laid a solid foundation for the Company's successful listing on the Main Board of the Stock Exchange as well. On behalf of the Board, I am pleased to report to the Shareholders that: in 2018, the Group achieved revenue of RMB1,830,227,000 in total, with a year-on-year increase of 2.6%, of which toll income amounted to RMB985,898,000, with a year-on-year increase of 17.3%. The Group recorded a profit for the year of RMB446,042,000, with a year-on-year increase of 21.3%, and total comprehensive income for the year attributable to owners of the Company of RMB415,488,000, representing a year-on-year increase of 22.6%. The Company was committed to enhancing its corporate value and thus implemented a positive dividend distribution policy with consideration given to both long-term and short-term interests of investors. The Board proposed to distribute a final cash dividend for 2018 of RMB0.13 per share (tax inclusive) and RMB215,293,260 in total. The dividend distribution plan will be subject to approval at the AGM.

RESULTS REVIEW

The completion of the expansion project of Chengpeng Expressway generates immediate economic benefits

The expansion project of Chengpeng Expressway in which we injected RMB2.036 billion commenced construction in October 2016 and was completed on 30 June 2018, following which, Chengpeng Expressway changes from a four-lane expressway to a six-lane expressway for the road section between Chengmian Expressway (Parallel Line) and Chengdu No.2 Ring Expressway and from a four-lane expressway to an eight-lane expressway for the road section between Chengdu No.2 Ring Expressway and Chengdu Toll Plaza of Chengpeng Expressway, thereby significantly shortening the time and travel distance from the main urban area to districts and cities along the expressways, realising unimpeded interconnection with Chengdu Ring Expressway, enhancing the fast traffic conversion capacity between Chengpeng Expressway and Jinfeng Viaduct and Chengdu Ring Expressway, and effectively relieving traffic jam at the city entrance and exit section of Chengpeng Expressway and areas surrounding Chengdu Ring Expressway. During the construction period, we shut down certain sections of Chengpeng Expressway since July 2017, resulting in a decrease in daily weighted-average traffic volume from 47,408 in 2016 to 11,236 for the six months ended 30 June 2018. On 12 July 2018, we reopened the previously closed sections due to construction to restore full operation and the standard toll collection model. Meanwhile, we raised the toll collection standard with the approvals from Sichuan Provincial Government, Sichuan Provincial Development and Reform Commission and the Department of Transportation of Sichuan Province, making Chengpeng Expressway the first within Sichuan Province to adjust the toll collection standard upon expansion. In 2018, Chengpeng Expressway Company recorded toll income of RMB113,154,000 (2017: RMB66,537,000), with a year-on-year increase of 70.1%, contributing remarkably to the Group's operating results growth.

CHAIRMAN'S STATEMENT

Continuous traffic network optimisation in Sichuan Province and Chengdu sets the stage for steady increase in traffic volume

Throughout 2018, a total of RMB159 billion was invested in highway and waterway traffic construction in Sichuan Province, of which certain cities (prefectures) such as Chengdu and Leshan invested more than RMB10 billion, leading to a noticeable progress in expressways and normal state and provincial arteries construction. Located strategically in areas adjacent to Chengdu, the Group's expressways are an integral part to the expressway network surrounding Chengdu which connect several districts with abundant industrial, cultural and tourism resources. Benefiting from the continuous improvement of traffic network in Sichuan Province and Chengdu, daily average traffic volume on the expressways of the Group maintained a stable increase. In particular, affected by the completion of the expansion project of Riyue Avenue and the restored traffic in September 2018, the adjacent Chengwenqiong Expressway recorded a year-on-year increase of 11.7% in daily average traffic volume. Besides, other expressways including Chengpeng Expressway, Chengguan Expressway and Chengdu Airport Expressway recorded a year-on-year increase of 9.4%, 5.8% and 1.3% in daily average traffic volume, respectively.

The adjustment in toll collection model contributes to continued economic benefits

Chengwenqiong Expressway Company and Chengpeng Expressway Company of the Group implemented the batch payment model under the Old Batch Payment Agreements from 2008 to June 2017, pursuant to which, the governments along the expressways shall pay a fixed annual toll after taking into consideration of the traffic volume information and its growth trend and other factors. In June 2017, Chengwenqiong Expressway Company and Chengpeng Expressway Company both entered into the New Batch Payment Agreements with relevant governments, with effect from 1 July 2017. The calculation method for the batch payment model was revised to include the real-time traffic volume information, the standard toll amounts of relevant toll roads, as well as factors affecting future traffic volume. As aforementioned, the standard toll collection model was restored upon completion of the expansion project of Chengpeng Expressway and the toll collection standard were adjusted, bringing considerable increase in toll income. Upon implementation of the New Batch Payment Agreements from 1 July 2017 and throughout 2018, Chengwenqiong Expressway recorded a year-on-year batch payment income increase with toll income of RMB398,093,000 in the whole year, up by 24.3% year-on-year.

Active promotion in standardisation construction and continuous promotion in reducing cost and improving efficiency

The Group promoted toll collection management standardisation work in an effort to realise the standardisation of personnel ratio on lanes, which, upon implementation, will be reduced from 1:4.09 to 1:3.92, thereby forming the operation mode of regular manpower shift complemented by automatic shift. In addition, in 2018, the Group formulated the Cleaning Work Content and Operating Standards for Expressway Surface and Wayside Facilities (《高速公路路面、沿線設施的清掃保潔工作內容及作業標準》) and Implementation Content and Technical Standards for Expressway Greening Maintenance Operations (《高速公路綠化養護作業實施內容及技術標準》), enrolling maintenance business as items under the 380 contracts list and into 450 quota sub-items. According to the assessment by experts, the comprehensive unit price of maintenance quota set by the Group decreased by approximately 15% from the unit price under the original contracts list. It is believed that, with the promotion of the standardisation construction, cost reduction and efficiency improvement will gradually bear fruit.

CHAIRMAN'S STATEMENT

Besides, despite of substantial domestic economic downward pressure in 2018, the expressways of the Group still achieved desirable growth in traffic volume and toll income. The traffic volume structure of the Group with passenger vehicles volume as the focus (except for Chengdu Airport Expressway with 100% passenger vehicles volume, passenger vehicles volume on other expressways account for approximately 80%) ensures the Group's strong resistance to economic fluctuations.

OUTLOOK

In the new year, "we are faced with once-in-a-century changes" and "year 2019 will unfold amid both opportunities and challenges" as mentioned by General Secretary Xi in his New Year's address. The Group will envisage and resolve the issue of grasping historical opportunities and preparing ourselves for future challenges at present and even in the years to come.

From external perspectives, it is clearly stipulated in the "Thirteenth Five-Year" Plan on Comprehensive Traffic Transport Development of Sichuan Province (《四川省"十三五"綜合交通運輸發展規劃》) that the construction of the westbound and northwest bound expressways to and from Sichuan and the expressways along the Yangtze River should be sped up. An expressway network featuring "three rings and fifteen lanes" shall be established during the "Thirteenth Five-Year" period in Chengdu. Expressways in and surrounding Chengdu still promises great development potential as evidenced by the planned sections of Tianqiong Expressway, Chengdu-Aba Expressway, etc. and the sections under construction of Chengdu Tianfu International Airport Expressway, Chengdu Economic Zone Ring Expressway, etc., which are high-quality projects the Group may take the initiative to secure. The follow-up operation and management of newly constructed expressways also provides broad market for the Group's future development. Meanwhile, the wide application of future new technologies, such as the rapid development of 5G will provide sufficient technical support for the information exchange of expressways and the construction of expressways internet of things. In future, expressways will be an important source of big data and one of the scenes of big data applications. Timely investment in the technology industry to provide more accurate services, improve traffic efficiency, enhance the level of automation of transportation services and render traffic management decisions more scientific is a new opportunity brought about by the development of science and technology. From internal perspectives, 2019 marks the first year after the Group's listing in Hong Kong. With stronger capital resources, the Group has strong appeal for consolidating the operating and management capacity of existing expressways, accelerating layout of the industry chain and striving for new profit drivers.

CHAIRMAN'S STATEMENT

ACKNOWLEDGEMENT

Year 2018 was a year of hardworking and sprinting for listing by the Company. On behalf of the Board, I would like to extend my sincere appreciation to all staffs for their hard work and dedications, to investors, customers, business partners and friends of all circles for their longstanding trust and support, and to the sponsors, lawyers, auditors and other listing agencies for their professional and efficient service for the listing of the Company. In 2019, we will leverage the brand new start for the reform and development through down-to-earth efforts and practices and refined management to ensure the efficiency enhancement of operating work. Joining hands with all staffs, we are committed to seeking diverse development layouts based on comprehensive planning and innovative thoughts, further affirming resolutions, forging ahead with spiritual conviction and achieving greater glories.

Xiao Jun
Chairman
Chengdu, the PRC, 27 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

In recent years, amid sluggish global economic recovery and volatilities in the international financial market, domestic economy is confronted with tightening downward pressure. In 2018, the gross domestic product (GDP) of China recorded a year-on-year increase of 6.6%, trending upside with steady progress. In such economic context, benefited from the continuous optimisation of expressway networks in Sichuan Province and Chengdu, people's continuous rising travelling desire and relentless efforts of all staff of the Group, the Group maintained a stable, healthy and positive development momentum.

SUMMARY OF THE GROUP'S OPERATING RESULTS

	2018	2017
	RMB'000	*RMB'000*
Revenue	**1,830,227**	1,784,298
Including:		
Toll income	**985,898**	840,378
Construction revenue in respect of service concession arrangements	**844,329**	943,920
Profit before tax	**523,067**	428,378
Total comprehensive income for the year attributable to owners of the Company	**415,488**	338,916
Earnings per share attributable to ordinary equity holders of the Company		
– Basic and diluted	**RMB0.346**	RMB0.282

SUMMARY OF THE GROUP'S FINANCIAL POSITION

	As at 31 December 2018	As at 31 December 2017
	RMB'000	*RMB'000*
Total assets	**5,194,176**	4,914,078
Total liabilities	**2,729,798**	2,646,970
Non-controlling interests	**134,967**	131,194
Equity attributable to owners of the Company	**2,329,411**	2,135,914

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

The Group is primarily engaged in toll collection and maintenance and repair of the expressways operated by it in its daily operations, including Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway and Chengdu Airport Expressway. During the Reporting Period, the Group achieved revenue of RMB1,830,227,000, representing a year-on-year increase of 2.6%, of which toll income totalled RMB985,898,000, representing an increase of 17.3% from the previous year. Except for toll income, during the Reporting Period, the Group also derived construction revenue in respect of service concession arrangements, the amount of which equalled to the construction costs for the corresponding period. The table below sets forth a breakdown of toll income by expressway and construction revenue in respect of service concession arrangements:

	2018 ***RMB'000***	2017 *RMB'000*
Chengguan Expressway	**330,542**	310,882
Chengpeng Expressway	**113,154**	66,537
Chengwenqiong Expressway	**398,093**	320,333
Chengdu Airport Expressway	**144,109**	142,626
Toll income	**985,898**	840,378
Construction revenue in respect of service concession arrangements	**844,329**	943,920
Total revenue	**1,830,227**	1,784,298

Toll expressway	**Daily average traffic volume (vehicle)** **2018**	 2017	Increase from the previous year
Chengguan Expressway	**42,530**	40,196	5.8%
Chengpeng Expressway	**28,326**	25,895	9.4%
Chengwenqiong Expressway	**53,400**	47,788	11.7%
Chengdu Airport Expressway	**43,721**	43,147	1.3%

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the increase in toll income was mainly attributable to the following reasons: (i) Chengguan Expressway recorded a year-on-year increase in toll income of RMB19,660,000, or 6.3% as a result of growth in traffic volume; (ii) due to traffic restoration on the previously closed sections on 12 July 2018 and the restoration of the standard toll collection model as well as an increase in toll collection standard, toll income derived from Chengpeng Expressway recorded a year-on-year increase of RMB46,617,000, or 70.1%; (iii) Chengwenqiong Expressway recorded an increase in batch payments income compared to that of last year upon implementation of the New Batch Payment Agreements from July 2017 and throughout 2018, and its toll income increased by RMB77,760,000 year-on-year, or 24.3% also resulting from the growth in traffic volume as a result of traffic restoration upon completion of the Riyue Avenue expansion project; (iv) Chengdu Airport Expressway recorded a year-on-year increase in toll income of RMB1,483,000, or a slight growth of 1.0% due to the commencement of operation of Chengdu subway line No.10 from the end of December 2017.

Construction revenue in respect of service concession arrangements decreased by 10.6% from RMB943,920,000 in 2017 to RMB844,329,000 in 2018, which was attributable to the absence of new expansion project except for the remaining expansion project of Chengpeng Expressway recognised during the Reporting Period. Such construction revenue is non-recurring in nature, which is only related to the upgrading or expansion projects of the Group rather than construction services provided to third parties and the amount of the construction revenue recognised equals to the construction costs for the corresponding period.

COST OF SALES

Cost of sales primarily include cost of infrastructure in respect of the construction of service concession arrangements, road repair, maintenance, cleaning and greening cost, depreciation and amortisation as well as employee benefit expense. During the Reporting Period, cost of sales of the Group deceased by 3.9% to RMB1,236,013,000 (2017: RMB1,285,629,000), which was mainly attributable to a decline in construction cost, but the decline was partly offset by an increase in the Group's expressways operating cost.

GROSS PROFIT AND GROSS PROFIT MARGIN

During the Reporting Period, gross profit from the Group's operations amounted to RMB594,214,000 (2017: RMB498,669,000), which equals to the gross profit of the toll collection operation. Construction revenue recognised was due to the accounting treatment of service concession arrangements and nil gross profit was generated during the Reporting Period. In 2018 and 2017, overall gross profit margin was 32.5% and 27.9%, and the gross profit margin of the toll collection operation remained stable at 60.3% and 59.3%, respectively.

ADMINISTRATIVE EXPENSES

During the Reporting Period, the Group incurred administrative expenses of RMB53,587,000 (2017: RMB46,978,000), representing a year-on-year increase of 14.1%, which was mainly attributable to an increase in employee benefit expenses as a result of regular upward adjustment of the salary of employees and the increase in headcount of the Company as well as an increase in depreciation and amortisation amount due to newly added office related assets as compared to last year.

During the Reporting Period, the employee benefit expense (including salary and social security expenses) and depreciation and amortisation amount of the Group were RMB32,654,000 (2017: RMB27,483,000) and RMB1,554,000 (2017: RMB995,000), respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE OF PROFITS OF AN ASSOCIATE

During the Reporting Period, the Group recognised share of profits of RMB21,916,000 (2017: RMB21,798,000) arising from its 40% equity interests in Chengbei Exit Expressway Company, representing a year-on-year increase of 0.5%, which was attributable to the results growth of Chengbei Exit Expressway Company in 2018.

TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

During the Reporting Period, total comprehensive income for the year attributable to owners of the Company amounted to RMB415,488,000 (2017: RMB338,916,000), representing a year-on-year increase of 22.6%, which was mainly attributable to an increase in toll income of the Group during the Reporting Period. Basic and diluted earnings per share was RMB0.346 (2017: RMB0.282), representing a year-on-year increase of 22.6%. Return on shareholder's equity was 18.1% (2017: 16.2%) benefited from the performance growth of the Group, representing a year-on-year increase of 1.9%.

ASSETS AND LIABILITIES OVERALL CONDITIONS

As at the end of the Reporting Period, total assets of the Group amounted to RMB5,194,176,000 (2017: RMB4,914,078,000), representing an increase of 5.7% from the end of 2017. The Group's total assets mainly consist of service concession rights in respect of Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway and Chengdu Airport Expressway and the equity investment in Chengbei Exit Expressway Company, an associate of the Group. The above assets accounted for 66.6% of the Group's total assets. Cash and cash equivalents and other assets accounted for 18.5% and 14.9% of total assets, respectively.

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB2,729,798,000 (2017: RMB2,646,970,000), representing an increase of 3.1% from the end of 2017.

BORROWINGS AND REPAYMENT CAPACITY

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB2,729,798,000 (2017: RMB2,646,970,000), of which 56.9% (2017: 55.0%) represented bank and other loans while 40.5% (2017: 34.4%) represented amounts payable to suppliers.

As at the end of the Reporting Period, total interest-bearing borrowings of the Group amounted to RMB1,553,500,000 (2017: RMB1,455,500,000), of which RMB1,323,500,000 represented bank borrowings and RMB230,000,000 represented other borrowings, 85.5% of the interest-bearing borrowings are not repayable within one year.

As at the end of the Reporting Period, bank borrowings of the Group carried a fixed annual interest rate ranging from 4.41% to 4.90%. Other borrowings carried a fixed annual interest rate of 4.9%.

During the Reporting Period, total interest expenses of the Group amounted to RMB71,701,000 (2017: RMB72,112,000). Earnings before interest and tax amounted to RMB594,768,000 (2017: RMB500,490,000) and therefore interest coverage ratio (earnings before interest and tax divided by interest expenses) was 8.3 (2017: 6.9).

As at the end of the Reporting Period, gearing ratio of the Group (being total liabilities divided by total assets) was 52.6% (2017: 53.9%).

BORROWING RATIO

Being a measurement of financial leverage, borrowing ratio is calculated as net debt divided by "total equity and net debt". Net debt refers to interest-bearing bank and other loans minus cash and cash equivalents, not including liabilities for working capital. Equity includes equity attributable to owners of the Company and non-controlling interests. As at the end of the Reporting Period, the borrowing ratio was 19% (2017: 12%).

CAPITAL EXPENDITURE COMMITMENTS AND UTILISATION

During the Reporting period, capital expenditure of the Group amounted to RMB982,235,000. Of the total capital expenditure of the Group, RMB137,803,000 was used for equipment purchase, RMB844,329,000 for expansion under service concession arrangements and RMB103,000 for other intangible assets.

As at the end of the Reporting Period, total capital expenditure commitments of the Group amounted to RMB10,520,000, all of which were incurred from the purchase and reformation of equipment and facilities for Chengwenqiong Expressway. The Group will prioritise internal resources to fund the above capital expenditure commitments.

LIQUIDITY AND CAPITAL RESOURCES

The Group focuses on maintaining a reasonable capital structure and continuously improving its profitability in order to maintain good credit standing and sound financial position.

As at the end of the Reporting Period, total current assets of the Group amounted to RMB1,245,541,000 (2017: RMB1,185,765,000), of which: (i) cash and cash equivalents were RMB958,615,000 (2017: RMB1,139,951,000), accounting for 77.0% (2017: 96.1%) of current assets; (ii) trade receivables were RMB32,664,000 (2017: RMB32,396,000), accounting for 2.6% (2017: 2.7%) of current assets; (iii) prepayments, deposits and other receivables were RMB254,262,000 (2017: RMB13,418,000), accounting for 20.4% (2017: 1.1%) of current assets.

As at the end of the Reporting Period, current ratio (current assets divided by current liabilities) of the Group was 92.7% (2017: 100.9%). The decrease was due to a decline in cash and cash equivalents as a result of the progress payment by Chengpeng Expressway Company for the expansion project.

The table below sets out certain information about the Group's consolidated statements of cash flows for the years ended 31 December 2018 and 2017:

	Year ended 31 December			
	2018		2017	
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Cash and cash equivalents presented in the consolidated statements of cash flows at the beginning of the year		**1,139,951**		1,501,380
Net cash flows from operating activities	**161,402**		353,212	
Net cash flows from/(used in) investing activities	**(198,327)**		43,970	
Net cash flows used in financing activities	**(224,411)**		(758,611)	
Net decrease in cash and cash equivalents		**(261,336)**		(361,429)
Cash and cash equivalents presented in the consolidated statements of cash flows at the end of the year		**878,615**		1,139,951
Analysis of balances of cash and cash equivalents				
Cash and cash equivalents as stated in the consolidated statement of financial position		**958,615**		1,139,951
Time deposits with original maturity of over three months		**(80,000)**		–
Cash and cash equivalents as stated in the consolidated statements of cash flows		**878,615**		1,139,951

Net cash flows from operating activities: During the Reporting Period, net cash flows from the Group's operating activities were approximately RMB161,402,000, while net cash flows from operating activities in 2017 were approximately RMB353,212,000, representing a year-on-year decrease of 54.3%, which was mainly due to (i) the increase in profit before tax of approximately RMB94,689,000; (ii) the increase in amortisation of service concession arrangements of RMB29,038,000; (iii) the decrease in trade payables of RMB310,691,000.

Net cash flows used in or from investing activities: During the Reporting Period, net cash flows used in investing activities of the Group were approximately RMB198,327,000, while net cash flows from investing activities in 2017 were approximately RMB43,970,000, which was mainly due to the increase in investment in security, monitoring and other toll collection equipment of approximately RMB110,479,000 as compared to last year.

Net cash flows used in financing activities: During the Reporting Period, net cash flows used in the Group's financing activities were approximately RMB224,411,000, while net cash flows used in the Group's financing activities in 2017 were approximately RMB758,611,000, representing a year-on-year decrease of 70.4%, which was mainly due to: (i) the increase in proceeds from new bank and other loans amounting to approximately RMB293,000,000; (ii) during 2017, the Company repaid an interest-free loan of RMB375,000,000 to its ultimate controlling Shareholder, and there was no such issue during the Reporting Period.

NET PROCEEDS FROM GLOBAL OFFERING AND ITS UTILISATION

The Company issued 400,000,000 H Shares in Global Offering which were listed on the Main Board of the Stock Exchange on 15 January 2019, and issued 56,102,000 H Shares upon partial exercise of the over-allotment option which were listed on the Main Board of the Stock Exchange on 12 February 2019. The net proceeds from the initial public offering of new Shares and the issue of over-allotment Shares amounted to approximately HK$915.4 million (equivalent to approximately RMB788.55 million), which will be allocated for gradual utilisation in accordance with the purposes set out in the Prospectus. The Company is proactively seeking acquisition or investment opportunities and expects to complete the projects as set out in item 1 and item 2 in the table below within two years. As at the date of this annual report, the utilisation of the aforementioned net proceeds is set out below:

	Percentage of the net proceeds from the Global Offering	Net proceeds from the Global Offering and utilisation		
		Amount available for utilisation	Amount utilised	Remaining amount
		RMB'000	*RMB'000*	*RMB'000*
Acquiring or investing in one high-quality expressway	70%	551,985	–	551,985
Establishing new business segments or acquiring other complementary business	10%	78,855	–	78,855
Improving the operational efficiency of expressways	10%	78,855	–	78,855
General corporate and working capital purposes	10%	78,855	351	78,504
Total	100%	788,550	351	788,149

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

The Group did not make any material acquisitions and disposals of subsidiaries, associates or joint ventures during the Reporting Period.

Save as disclosed in this annual report, the Group did not hold any significant investments during the Reporting Period.

PLEDGE OF ASSETS

As at the end of the Reporting Period, the service concession arrangements of Chengwenqiong Expressway with a net carrying amount of RMB1,206,341,000 (2017: RMB1,268,113,000) were pledged to secure bank loans of RMB436,000,000 (2017: RMB:351,000,000) and other borrowings of RMB230,000,000 (2017: RMB:330,000,000). The service concession arrangements of Chengpeng Expressway with a net carrying amount of RMB1,377,302,000 (2017: RMB1,401,174,000) were pledged to secure bank loans of RMB533,000,000 (2017: RMB250,000,000).

EXCHANGE RATE FLUCTUATION RISK

The Group currently does not engage in hedging activities that are designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange movements to maximise the Group's cash value.

CONTINGENT LIABILITIES

As at the end of the Reporting Period, the Group did not have any material contingent liabilities, nor did it provide any guarantees for related parties.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF DIRECTORS

The following table sets forth information regarding the Directors:

Name	Position	Date of assuming the position *(Note)*	Expiration date of the current session
Mr. Xiao Jun	Non-executive Director	21 November 2016	21 November 2019
	Chairman of the Board	9 December 2016	21 November 2019
Mr. Tang Fawei	Executive Director	21 November 2016	21 November 2019
	General Manager	9 December 2016	21 November 2019
Mr. Zhang Dongmin	Executive Director	9 May 2018	21 November 2019
Ms. Wang Xiao	Executive Director	21 November 2016	21 November 2019
	Deputy General Manager	9 December 2016	21 November 2019
Mr. Yang Bin	Non-executive Director	9 May 2018	21 November 2019
Mr. Luo Dan	Executive Director	21 November 2016	21 November 2019
	Chief Accountant	9 December 2016	21 November 2019
Mr. Shu Wa Tung, Laurence	Independent non-executive Director	21 November 2016	21 November 2019
Mr. Ye Yong	Independent non-executive Director	21 November 2016	21 November 2019
Mr. Li Yuanfu	Independent non-executive Director	21 November 2016	21 November 2019

Note: These dates are the dates when these persons first assumed the positions listed in the table. For details of their other positions, please refer to the following.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. XIAO Jun (肖軍), aged 52, has served as the Chairman of the Board and Director of the Company (the predecessor of which is Chengguan Expressway Company) since April 2016 and served as the Chairman of the Board and non-executive Director as well as the chairman of the Nomination Committee of the Company since November 2016. Prior to joining the Company, Mr. Xiao served as the operation group leader and deputy secretary of the Party branch and was responsible for road condition survey, exploration and design in the road situation team under the Highway Bureau of Department of Transportation of Sichuan Province (四川省交通廳公路局路況隊) from July 1988 to May 1992 and from May 1994 to September 1997 respectively and served as a deputy team leader of the technical team of the Ala Road construction in Republic of Yemen aided by the PRC (中國援建也門人民共和國阿拉公路技術組) from May 1992 to May 1994. Mr. Xiao served as a project staff and was responsible for coordination of construction of Chengya Expressway and Chengpeng Expressway in the office of important construction projects in Chengdu Municipal Transportation Bureau and served as the site commander of the Chengpeng Expressway Construction Command (成彭高速公路建設指揮部) from September 1997 to November 2000, and served as a deputy chief of the Division of Highway Management of Chengdu Municipal Transportation Bureau from November 2000 to July 2004. Mr. Xiao served successively as the director, deputy executive general manager and general manager of Chengdu Expressway Construction from July 2004 to March 2007. Mr. Xiao served successively as the chief engineer, deputy general manager and general manager of Chengdu Communications from March 2007 to August 2014, and served as the director and chief engineer of Chengdu Communications from August 2014 to December 2017, and has served as the vice chairman of the board of directors of Chengdu Communications since December 2017.

Mr. Xiao graduated with a major in road and bridge engineering from Road Engineering Department of Chongqing Jiaotong College in July 1988. He graduated with a major in traffic and civil engineering from Chongqing Jiaotong College in July 1998. Mr. Xiao was qualified as a senior engineer by Chengdu Professional Title Reform Leading Group (成都市職稱改革工作領導小組) in March 2004.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. TANG Fawei (唐發維), aged 49, has served as an executive Director of the Company since November 2016. Since December 2016, he has served as the General Manager of the Company, mainly responsible for fully directing various works of the Company, acting as the chairman of the Strategy and Development Committee. Prior to joining the Company, Mr. Tang served as a teacher at Longquan Junior High School, Longquanyi District, Chengdu City, Sichuan Province, from August 1989 to September 1990. He served as a teacher, as well as a sole duty deputy secretary of the Communist Youth League, at Luodai Middle School, Chengdu City, Sichuan Province from September 1990 to March 1993. He worked at the Department of Secondary School Education, Board of Education, Longquanyi District, Chengdu City, Sichuan Province, acting as the officer of vocational education, responsible for vocational education and student enrollment of the whole district, as well as a deputy director of Vocational Education Center Admissions Office in Chengdu Economic and Technological Development Zone from March 1993 to October 1998. He served as the vice president of Xihe Vocational and Technical Secondary School of Sichuan from October 1998 to October 2001. He served as the deputy director of the integrated office of Party Working Committee and Management Committee of Chengdu Economic and Technological Development Zone from October 2001 to December 2006, during which he took a temporary post and received training in Department of Commerce of Sichuan province from October 2001 to October 2002. He took a temporary post and received training in Foreign Investment Division of Ministry of Commerce from September 2005 to October 2006. Mr. Tang was involved in the preparation of the establishment of Chengdu Communications from December 2006 to March 2007. He has also served as the secretary of the Communist Party Committee and general manager of Sichuan Xing Shu Railway Company (四川興蜀鐵路公司) from March 2007 to April 2018. Mr. Tang also served as the chairman of Supervisory Committee of Chengmianle Railway Passenger Line Company (成綿樂鐵路客運專綫公司) from February 2012 to November 2016. Mr. Tang served as the director and general manager of Chengdu Expressway Construction from February 2015 to November 2016, the chairman of the board of directors of Xinqiong High-Grade Road Company (新邛高等級公路公司), Chengren High-Grade Road Company (成仁高等級公路公司), Qiongming High-Grade Road Company (邛名高等級公路公司), Qingyun High-Grade Road Company (青雲高等級公路公司) and Dashuang High-Grade Road Company (大雙高等級公路公司) from February 2015 to November 2016, the executive director and general manager of Sichuan Chengjian Expressway Development Company Limited (四川成簡快速路發展有限公司) from February 2015 to November 2016 and the chairman of the board of directors of Hongsheng Logistics Company (宏盛物流公司) from February 2015 to November 2016.

Mr. Tang took the junior college courses at Chengdu Education College (成都教育學院) from September 1992 to June 1995, majoring in politics and history education. He took the undergraduate courses in major of education management at Sichuan Education College (四川省教育學院) from September 1997 to June 2000. He also completed the postgraduate courses in education and economics at Beijing Normal University from July 2000 to July 2002.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. ZHANG Dongmin (張冬敏), aged 56, has served as an executive Director of the Company since June 2018. Prior to joining the Company, Mr. Zhang was a soldier in the 11th Army of the People's Liberation Army of China (中華人民共和國解放軍陸軍第十一軍團) from October 1979 to April 1982, the group leader of Construction Command in Chengdu Sixth Water Work (成都市自來水六廠建設指揮部) from May 1982 to September 1998, the section chief in the Chengdu "Five Road One Bridge" Office (成都"五路一橋"辦公室) from October 1998 to June 2003, the manager of the contract management department in Chengdu Road and Bridge Operation and Management Company (成都市路橋經營管理公司) from June 2003 to December 2009, the department head of land security department in Chengdu Communications from December 2009 to May 2017. Mr. Zhang has served as the general manager of Chengwenqiong Expressway Company since May 2017 and the chairman of the board of directors of Chengwenqiong Expressway Company since May 2018.

Mr. Zhang graduated from Correspondence College of the Party School of the Sichuan Provincial Committee of Communist Party of China (中共四川省委黨校函授學院) in June 2001 majoring in economic management. Mr. Zhang received his economist certificate in December 2006.

Ms. WANG Xiao (王曉), aged 46, has served as an executive Director of the Company since November 2016 and Deputy General Manager of the Company since December 2016, mainly responsible for assisting the General Manager, managing the General Management Department, and acting as a member of the Strategy and Development Committee. Prior to joining the Company, Ms. Wang served as a staff in Agriculture Machine Bureau of Pujiang County, Sichuan Province from July 1990 to April 1996, the deputy department head of the Communication Management Department of the Chengdu Municipal Transportation Bureau from May 1996 to January 1998, the office director of the Communications News of the Chengdu Municipal Transportation Bureau from February 1998 to September 2002. She completed the traffic and transportation planning and management courses organised by Southwest Jiaotong University from September 1999 to July 2001. She served as the deputy general manager and general manager of the Chengdu Shixianghu Traffic Hotel from September 2002 to April 2006. Ms. Wang served as the deputy general manager of Chengpeng Expressway Company from April 2006 to June 2010 and the deputy general manager of Chengguan Expressway Company from July 2010 to May 2014. Ms. Wang has served as the general manager of Chengdu Airport Expressway Company since May 2014 and the chairman of board of directors of Chengdu Airport Expressway Company since May 2018.

Ms. Wang graduated from the Graduate School of the Central Party School of the Communist Party of China in July 2011 majoring in economics (economic management).

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. YANG Bin (楊斌), aged 52, has served as a non-executive Director and a member of the Audit and Risk Management Committee of the Company since May 2018. Prior to joining the Company, Mr. Yang served as the deputy manager of asset management department in Chengdu Expressway Construction from December 1998 to July 2000, the deputy general manager in Chengdu Xiling Snow Hill Tourism Development Co., Ltd. (成都西嶺雪山旅遊開發有限責任公司) from July 2000 to July 2002, the deputy general manager and general manager in Chengdu Jinsha Transport Co., Ltd. (成都金沙運業有限公司) from July 2002 to May 2014, the director and general manager in Chengpeng Expressway Company from May 2014 to April 2016, the director and general manager in Chengdu Communications Investment Tourism Transportation Development Co., Ltd (成都交投旅遊運業發展有限公司) from April 2016 to November 2016, the head of the Party and Masses Work Department of Chengdu Communications from November 2016 to March 2018. Mr. Yang has served as the director, general manager and deputy chairman of the board of directors in Chengbei Exit Expressway Company since March 2018.

Mr. Yang graduated from Sichuan University with a master's degree majoring in high polymer material in June 1994 and obtained his bachelor's degree from Chengdu University of Science and Technology majoring in Organic Chemical Engineering in July 1988.

Mr. LUO Dan (羅丹), aged 51, has served as an executive Director of the Company since November 2016 and the Chief Accountant of the Company since December 2016, mainly responsible for financial matters, assisting the General Manager, managing the Finance Department, Contract Management Department, and acting as a member of the Remuneration and Evaluation Committee. Prior to joining the Company, Mr. Luo served successively as the accountant, deputy section chief and financial manager of Chengdu Chemical Engineering Company (成都市化工公司) from July 1985 to July 1998. During the period from August 1998 to June 2010, Mr. Luo served multiple positions in Chengguan Expressway Company, including the manager of finance department from August 1998 to January 1999, assistant to general manager and manager of finance department from February 1999 to November 2000, and deputy general manager from December 2000 to June 2010. Mr. Luo has served as the deputy general manager and the chairman of the labor union of Chengwenqiong Expressway Company since July 2010 and a director without executive functions of Chengpeng Expressway Company since May 2015.

Mr. Luo graduated from Chengdu Finance and Trade School in July 1985 majoring in business accounting and statistics and graduated from the Correspondence College of the Party School of Sichuan Provincial Committee of the Communist Party of China (中共四川省委黨校函授學院) in December 2004 with a bachelor's degree in economic management provided for people with a college degree.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. SHU Wa Tung, Laurence (舒華東), aged 46, has served as an independent non-executive Director, the chairman of the Audit and Risk Management Committee and a member of the Strategy and Development Committee of the Company since November 2016. Mr. Shu has over 20 years of experience in audit, corporate finance and financial management. Mr. Shu worked at Deloitte Touche Tohmatsu and successively served as accountant, semi-senior accountant of assurance & advisory department, senior accountant of corporate advisory services department, and senior accountant, associate manager and manager of reorganization services group from March 1994 to October 2000. He served as a manager at Deloitte Touche Corporate Finance Ltd (a corporate finance service company of Deloitte Touche Tohmatsu) from July 2001 to November 2002. He served as an associate director of Goldbond Capital (Asia) Limited from November 2002 to April 2005. Mr. Shu served as the chief financial officer and secretary to the company's board of Texhong Textile Group Limited (a company listed on the Stock Exchange, stock code: 2678) from May 2005 to July 2008, overseeing the group's financial management functions. Mr. Shu served as the chief financial officer of Jiangsu Rongsheng Heavy Industries Co., Ltd* (江蘇熔盛重工有限公司) from July 2008 to June 2010, the chief financial officer of Petro-king Oilfield Services Limited (a company listed on the Stock Exchange, stock code: 2178) from July 2010 to July 2018. Mr. Shu is an independent non-executive Director of Riverine China Holdings Limited (a company listed on the Stock Exchange, stock code: 1417) and Twintek Investment Holdings Limited (a company listed on the Stock Exchange, stock code: 6182) since November 2017 and December 2017 respectively. He is the chief financial officer of Brainhole Technology Limited (formerly known as Top Dynamic International Holdings Limited) (a company listed on the Stock Exchange, stock code: 2203) since August 2018.

Mr. Shu graduated from Deakin University, Australia in September 1994 and obtained his bachelor's degree in business majoring in accounting, and completed his CFO Programme at China Europe International Business School (中歐國際工商學院) in November 2009. Mr. Shu was accredited as a certified public accountant by Certified Practising Accountant Australia in May 1997 and accredited as a certified public accountant associate by Hong Kong Institute of Certified Public Accountants in September 1997.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. YE Yong (葉勇), aged 44, has served as an independent non-executive Director, a member of the Audit and Risk Management Committee, the chairman of the Remuneration and Evaluation Committee and a member of the Nomination Committee of the Company since November 2016. Mr. Ye is a professor and the head of Department of Accounting in Southwest Jiaotong University. Mr. Ye consecutively served as a technician and the secretary of Communist Youth League general branch of Pangang Group Company from July 1994 to July 1997, associate professor in School of Management Science and Engineering, Guizhou University of Finance and Economics from July 2005 to July 2006, associate professor in School of Information Management, Chengdu University of Technology from July 2006 to March 2007, and associate professor and professor in School of Economics and Management, Southwest Jiaotong University since March 2007. Mr. Ye has provided consulting services in Sichuan Haizhi Sci-Tech Co., Ltd. (四川海之科技股份公司) and Sichuan Great Technology Co., Ltd. (四川格瑞特科技公司) successively since January 2006. In addition, Mr. Ye has extensive experience in participating in the science projects such as the projects of National Natural Science Foundation, including taking charge of the project of research and empirical analysis on the effect of invisible ultimate controlling rights of listed companies from January 2007 to December 2009; taking charge of the project of study on corporate governance of large state-owned enterprises after the share-trading reform from September 2007 to December 2009; and participating in the project of improvement of presentation of financial statements in the PRC based on salience theory from January 2014 to December 2017.

Mr. Ye graduated from Southwest Jiaotong University with a master's degree in business administration in October 2001; graduated from Southwest Jiaotong University with a doctor's degree in management science and engineering in July 2005. Mr. Ye was recognised as a peer review expert by National Natural Science Foundation in March 2007; recognised as a paper review expert by the Academic Degrees Center of Ministry of Education in December 2013; admitted as an expert in the National Science and Technology Expert Database by Ministry of Science and Technology in December 2014 and recognised as a review expert by the Planning Office of National Philosophy and Social Science in September 2015.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. LI Yuanfu (李遠富), aged 56, has served as an independent non-executive Director and a member of the Nomination Committee and the Remuneration and Evaluation Committee of the Company since November 2016. Mr. Li is a professor and the head of Teacher Development Center in Southwest Jiaotong University. Mr. Li served as a teaching assistant in Southwest Jiaotong University from July 1983 to September 1987, and served successively as a lecturer, deputy department head, assistant to the dean and associate professor in School of Civil Engineering, Southwest Jiaotong University from September 1987 to June 2001. Mr. Li served as the associate dean of School of Civil Engineering, Southwest Jiaotong University from July 2001 to December 2009; served as the professor in School of Civil Engineering, Southwest Jiaotong University from July 2001 to February 2014; served as the executive deputy head of the Teacher Development Center of Southwest Jiaotong University from March 2014 to May 2016; and has served as the head of the Teacher Development Center of Southwest Jiaotong University since May 2016. Mr. Li has extensive experience in science research, including wining the Second Prize of Science and Technology Advancement awarded by Ministry of Railways in December 1997 and the First Prize of Science and Technology Achievement awarded by China Highway and Transportation Society in December 2011.

Mr. Li graduated from Southwest Jiaotong University in August 1983 majoring in railway engineering with a bachelor's degree in engineering; graduated from Southwest Jiaotong University in September 1989 majoring in railway engineering with a master's degree in engineering; and graduated from Southwest Jiaotong University in October 2000 majoring in road and railway engineering with a doctor's degree in engineering. Mr. Li was recognised as a professional registered consultant by Sichuan Consulting Trade Association (四川省諮詢業協會) in February 2008; appointed as a committee member of the Instructive Committee of Education of Railway Transportation and Engineering under the Ministry of Education by the Advisory Committee of University Education of Transportation and Engineering under the Ministry of Education in December 2008; appointed as the general secretary of Instructive Group of Education of Railway Transit and Bridge and Tunnel in February 2009; recognised as a famous teacher in Sichuan province by People's Government of Sichuan Province in June 2009; recognised as one of the ninth-group leaders in academic and technical fields in Sichuan province in July 2011.

* *For identification purpose only*

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF SUPERVISORS

The following table sets forth information regarding the Supervisors:

Name	Position	Date of assuming the position *(Note)*	Expiration date of the current session
Ms. Jiang Yan	Chairman of the Supervisory Committee	9 May 2018	21 November 2019
Ms. Wu Haiyan	Supervisor	21 November 2016	21 November 2019
Mr. Pan Xin	Supervisor	21 November 2016	21 November 2019
Ms. Xu Jingxian	Supervisor *(Employee Representative Supervisor)*	17 November 2016	21 November 2019
Mr. Zhang Jian	Supervisor *(Employee Representative Supervisor)*	17 November 2016	21 November 2019

Note: These dates are the dates when these persons first assumed the positions listed in the table. For details of their other positions, please refer to the following.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. JIANG Yan (蔣燕), aged 48, has served as a Supervisor since May 2018. Prior to joining the Group, Ms. Jiang served as an accountant in Chongqing Yongchuan Cocoon Silk Group Company (重慶永川蠶絲集團公司) from August 1991 to June 1993, the loan officer and deputy section chief of cashier's department in Jintang sub-branch, Chengdu branch of Bank of Communications from June 1993 to December 1995, a director of small local branch and deputy chief of accounting division in Jintang sub-branch, Sichuan branch of Industrial and Commercial Bank of China Limited from December 1995 to August 2004, the financial manager in Sichuan Jieshijie New Material Limited Co. Ltd. (四川傑事傑新材料有限公司) from August 2004 to March 2008, the supervisor of investment finance department in Chengdu Modern Agricultural Logistics Investment and Development Co., Ltd (成都市現代農業物流業發展投資有限公司) from March 2008 to March 2009, a deputy head of board's office in Chengdu Urban and Rural Commercial Logistics Investment and Development Group Co., Ltd. (成都城鄉商貿物流發展投資（集團）有限公司) from March 2009 to November 2010, the vice general manager of Chengdu Sino Gas Environmental Technology Co., Ltd (中油潔能（成都）環保科技有限公司) from February 2011 to May 2011, the CFO and vice general manager of Chengdu Energy Development Co., Ltd from May 2011 to April 2016 and the vice general manager of Chengdu Communications Investment Tourism Transportation Development Co., Ltd (成都交通投資旅遊運輸發展有限公司) from April 2016 to February 2017. She served as the deputy department head of the operation and management department in Chengdu Communications from February 2017 to March 2018 and has been serving as the deputy department head of the capital operation department in Chengdu Communications since March 2018.

Ms. Jiang finished her junior college courses at Sichuan Business College majoring in planning and statistics in July 1991 and graduated from Correspondence College of the Party School of Sichuan Provincial Committee of the Communist Party of China (中共四川省委黨校函授學院) in December 1997 majoring in economic management. Ms. Jiang received her economist certificate from the Ministry of Personnel of the People's Republic of China in October 1996.

Ms. WU Haiyan (吳海燕), aged 47, has served as a Supervisor of Chengguan Expressway Company since April 2015, and has served as a Supervisor of the Company since November 2016. Ms. Wu served as an accountant in Chengdu Expressway Construction from December 1997 to February 2007 and an accountant in Chengdu Communications from February 2007 to January 2008. Ms. Wu served successively as the manager and deputy general manager of finance department of Chengdu Transportation Hub and Station Construction Management Company Limited (成都交通樞紐場站建設管理有限公司) from January 2008 to February 2015. Ms. Wu has served as the head of finance department of Chengdu Communications since February 2015.

Ms. Wu finished her junior college courses at Southwest University of Finance and Economics majoring in accounting in June 1993 and graduated from Correspondence College of the Party School of the Sichuan Provincial Committee of Communist Party of China (中共四川省委黨校函授學院) in June 2009 majoring in administration management. Ms. Wu was recognised as a senior accountant by Chengdu Reform of Professional Title Leading Group in May 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. PAN Xin (潘欣), aged 31, has served as a Supervisor of the Company since November 2016. Prior to joining the Company, Mr. Pan served as a director of the investment and development department of Chengdu Communications from July 2013 to August 2016. He has served as a manager of the investment and development department of Chengdu Expressway Construction since September 2016.

Mr. Pan graduated from Southwest Jiaotong University majoring in traffic transportation with a bachelor's degree in engineering in June 2010, and obtained his master's degree in engineering from Southwest Jiaotong University majoring in transportation planning and management in June 2013. Mr. Pan was recognised as a logistician by China Federation of Logistics and Purchasing and the National Logistics Standardization Technical Committee in December 2011.

Ms. XU Jingxian (許靜嫻), aged 41, has served as an Employee Representative Supervisor, manager of the Finance Department of the Company since November 2016 and was redesignated as the manager of the Audit Department of the Company from the manager of the Finance Department on 4 March 2019. Prior to joining the Company, Ms. Xu served as an accountant of Chengguan Expressway Company from August 1998 to April 2009, and has served as the manager of the finance department of Chengguan Expressway Company from April 2009 to November 2016. She has served as the supervisor of Chengwenqiong Expressway Company, Chengpeng Expressway Company and Chengdu Airport Expressway Company since May 2018.

Ms. Xu graduated from Sichuan Provincial Fiscal School in July 1998 majoring in finance and accounting, and graduated from Sichuan University majoring in marketing in June 2005. Ms. Xu was recognised as a semi-senior accountant by Sichuan Province Personnel Department in October 2009.

Mr. ZHANG Jian (張建), aged 51, has served as the manager of the Party and Masses Human Resources Department and an Employee Representative Supervisor of the Company since November 2016. Mr. Zhang served successively as the leader of inspection team, assistant to station master and department manager of Chengwenqiong Expressway Company from June 1994 to May 2018, and has served as an employee representative director without executive functions of Chengwenqiong Expressway Company since May 2015.

Mr. Zhang graduated with a college major in economic management from the Correspondence College of the Party School of Sichuan Provincial Committee of the Communist Party of China (中共四川省委黨校函授學院) in June 1995.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF SENIOR MANAGEMENT

The following table sets forth information regarding the senior management of the Company:

Name	Position	Date of assuming the position *(Note)*	Expiration date of the current session
Mr. Tang Fawei	General Manager	9 December 2016	21 November 2019
Mr. Zou Zhiquan	Chief Engineer	9 December 2016	21 November 2019
Ms. Wang Xiao	Deputy General Manager	9 December 2016	21 November 2019
Mr. Luo Dan	Chief Accountant	9 December 2016	21 November 2019
Mr. Su Bing	Deputy General Manager	8 June 2017	21 November 2019
Mr. Yang Jingdong	Deputy General Manager	9 December 2016	21 November 2019
Mr. Jiang Zhuanping	Deputy General Manager	9 December 2016	21 November 2019
Mr. Zhang Guangwen	Secretary to the Board and Joint Company Secretary	9 December 2016	21 November 2019

Note: These dates are the dates when these persons first assumed the positions listed in the table. For details of their other positions, please refer to the following.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. TANG Fawei (唐發維), aged 49, is an executive Director and General Manager of the Company. For biographical details of Mr. Tang, please refer to the sub-section headed "Biographical Details of Directors" in this section.

Mr. ZOU Zhiquan (鄒志全), aged 50, has served as the Chief Engineer of the Company since December 2016, assisting the works of the General Manager and managing the Engineering Technology Department. Prior to joining the Company, Mr. Zou served successively as a technician, technical manager and construction manager in the construction sites such as Chengyu Expressway, Xinjin Leshan Dajian Road and Dongzikou Overpass from July 1991 to November 1993. He served successively as the project manager and chief engineer in the construction sites such as Liyutan Bridge of Liugui Expressway, Chengdu Laonanmen Bridge, A Contract Section of Longna Expressway, Chengmian Expressway Overpass of Chengdu Third Ring Road and Hubei Huangshi Yangtze River Highway Bridge, and served as a deputy director of the Sixth Engineering Division of the Provincial Bridge Engineering Company from August 1998 to March 2003. During the period from November 2004 to August 2007, Mr. Zou served multiple positions in Chengdu Road and Bridge Operation and Management Company Limited (成都市路橋經營管理有限責任公司), including the person in charge of bridge in engineering department, manager of quality management department, head of general engineering department, manager of engineering management department and manager of contract and cost management department of such company from November 2004 to August 2007; the deputy general manager of such company from August 2007 to February 2015; the director, general manager and secretary of the Communist Party Committee of such company from February 2015 to April 2016. Mr. Zou has served as a director, the general manager and the secretary of the Communist Party Committee of Chengpeng Expressway Company since April 2016 and the chairman of the board of directors of Chengpeng Expressway Company since May 2018.

Mr. Zou graduated from Nanjing College of Navigation Engineering in July 1991 majoring in construction management and engineering (foreign construction), and was recognised as a senior engineer by Chengdu Professional Title Reform Leading Group in March 2005.

Ms. WANG Xiao (王曉), aged 46, is an executive Director and Deputy General Manager of the Company. For biographical details of Ms. Wang, please refer to the sub-section headed "Biographical Details of Directors" in this section.

Mr. LUO Dan (羅丹), aged 51, is an executive Director and Chief Accountant of the Company. For biographical details of Mr. Luo, please refer to the sub-section headed "Biographical Details of Directors" in this section.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. SU Bing (蘇兵), aged 50, has served as the Deputy General Manager of the Company since June 2017, assisting in the works of the General Manager and managing the Safety Management Department. Prior to joining the Company, Mr. Su served as a staff of Chengdu Long-distance Transport Company (成都長途運輸公司) from September 1987 to October 1990, officer and section chief of Chengdu Municipal Transportation Bureau from November 1990 to September 2004. Mr. Su joined Chengpeng Expressway Company from October 2004 to March 2014 and has served as a deputy general manager of Chengwenqiong Expressway Company since April 2014, responsible for management work including safety, toll, monitoring, etc. He has also served as a member of the labor union committee of Chengdu Communications, a committee of Chengdu Communications, from September 2014 to May 2018.

Mr. Su graduated from the Provincial Party School majoring in law in July 2001 and obtained his bachelor's degree provided for people with college degree from the Correspondence College of the Provincial Party School majoring in administration management. Mr. Su was recognised as an engineer by Chengdu Professional Title Reform Leading Group in December 2007.

Mr. YANG Jingdong (楊敬東), aged 50, has served as a Deputy General Manager of the Company since December 2016, assisting in the works of the General Manager, managing the Audit and Supervision Department. Prior to joining the Company, Mr. Yang served successively as a technician and manager of Chengdu Towel and Bed Sheet Factory from July 1990 to January 1995, a valuation staff and valuer in Chengdu Shudu Accounting Firm (成都市蜀都會計師事務所) from January 1995 to September 1999, the head of valuation department of Sichuan Hengde Accounting Firm (四川恆德會計師事務所) from September 1999 to April 2002, the head of valuation department of Sichuan Chengzi Accounting Firm Company Limited (四川成諮會計師事務所) from April 2002 to June 2006, and technical director of Sichuan Erfenmingyue Real Estate Valuation Company Limited (四川二分明月房地產評估有限公司) from June 2006 to August 2007. Mr. Yang served successively as the responsible person of asset management department and head of general department of Chengdu Communications from February 2007 to July 2010. Mr. Yang has served as a deputy general manager and the president of labor union of Chengpeng Expressway Company since July 2010.

Mr. Yang graduated from Chongqing University in July 1990 majoring in mechanical manufacture technology and equipment with a bachelor's degree in engineering. Mr. Yang was recognised as an engineer by Chengdu Professional Title Reform Leading Group in July 1995; recognised as a PRC registered asset valuer by China Appraisal Society in June 1999; recognised as a registered real estate valuer by Ministry of Construction of the People's Republic of China in August 2000; recognised as a PRC land valuer by Ministry of Land and Resources of the People's Republic of China in September 2003; and recognised as a judicial asset appraiser by Department of Justice of Sichuan Province in January 2007.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. JIANG Zhuanping (蔣專平), aged 48, has served as a deputy general manager of Chengguan Expressway Company since March 2011, assisting in the works of the general manager, managing the investment and development department and operation and management department. He has also served as a director without executive functions of Chengwenqiong Expressway Company since May 2015. Prior to joining the Company, Mr. Jiang served as a teacher in Huoju Middle School in Tongjiang County, Sichuan Province from August 1988 to September 1993, and served as a teacher in Yangbo Middle School in Tongjiang from September 1993 to September 1994. From September 1994 to September 2000, he served as a teacher in Xinchang Middle School in Tongjiang. Mr. Jiang worked in the Division of Highway Management of Chengdu Municipal Transportation Bureau from July 2003 to May 2006 and was responsible for the implementation of policies relating to construction, maintenance and tolls of urban and rural highways in Chengdu. Mr. Jiang served as the deputy chief of Chengdu High-Grade Road Operation and Management Office from May 2006 to March 2011.

Mr. Jiang graduated from Sichuan Normal University majoring in Chinese language and literature in December 1993 and graduated from Southwest University of Political Science & Law majoring in economic law in July 2003. Mr. Jiang was awarded the legal profession qualifications by the Ministry of Justice of the People's Republic of China in February 2008.

Mr. ZHANG Guangwen (張光文), aged 43, has served as the Secretary to the Board of the Company since December 2016, managing the Office of the Board. Prior to joining the Company, Mr. Zhang served as an accountant and sales support staff of Sichuan Tire Rubber Group Company Limited from July 1998 to October 2003, and served as an auditor in Sichuan Zhongfa CPA Co., Ltd. from October 2003 to June 2007. Mr. Zhang served as an auditor in Chengdu Communications from June 2007 to December 2008. He consecutively served as the deputy manager and manager of finance department of Chengdu Communications Investment Property Company Limited from January 2009 to June 2016. Mr. Zhang served as a deputy general manager of Chengguan Expressway Company from June 2016 to December 2016.

Mr. Zhang graduated from Sichuan Industrial College majoring in Business Administration in July 1998 with a bachelor's degree in economics. Mr. Zhang was recognised as a certified accountant by Chinese Institute of Certified Public Accountants in April 2005.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE STRUCTURE

The Company conducts its business strictly in accordance with the relevant laws and regulations and regulatory documents such as the Company Law and the Listing Rules as well as requirements of the Articles of Association. The Company has established an internal governance structure which consists of the general meeting, the Board and its special committees, the Supervisory Committee and senior management with sound policies and systems.

The Board believes that high standards of corporate governance are essential to providing a framework for the Group to safeguard the interests of Shareholders of the Company, enhance the corporate value, formulate the business strategies and policies, and enhance the transparency and accountability. The Group managed to maintain high standards of corporate governance, and each of the internal governance departments was operated independently and efficiently with its respective duties and obligations being practically fulfilled.

Since H Shares of the Company were not listed on the Stock Exchange in 2018, the Corporate Governance Code was not applicable to the Group during the Reporting Period. The Company has adopted the principles and code provisions as set out in the Corporate Governance Code and complied with the applicable code provisions throughout the period from the Listing Date to the date of this annual report.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as the code of conduct for all the Directors and Supervisors in conducting securities transactions of the Company. During the Reporting Period, H Shares of the Company were not listed on the Stock Exchange. The Company has made specific enquiries to all the Directors and Supervisors, and they confirmed that they have complied with the Model Code throughout the period from the Listing Date to the date of this annual report.

The Board

The Board performs its functions and exercises its powers in accordance with the provisions of the Articles of Association. The Board is responsible for overseeing the Group's businesses, strategic decisions and performance and should make decisions objectively in the best interests of the Company.

The Board currently comprises nine Directors, consisting of four executive Directors, two non-executive Directors and three independent non-executive Directors. The term of office of Directors shall be three years and is renewable upon re-election. Please refer to the sub-section headed "Biographical Details of Directors" of "Biographical Details of Directors, Supervisors and Senior Management" of this annual report for information on the specific members of the Board, their terms of office and biographical information. Apart from working relationships in the Company, none of the members of the Board have any financial, business, family or other material relationships with each other.

CORPORATE GOVERNANCE REPORT

The Board meetings and special committees meetings attended in person by the Directors from the Listing Date to the date of this annual report are as follows:

	Board Meetings	Nomination Committee Meeting	Remuneration and Evaluation Committee Meetings	Audit and Risk Management Committee Meetings	Strategy and Development Committee Meeting
Number of meetings	2	1	2	2	1
Executive Directors					
Tang Fawei					
(General Manager)	2	N/A	N/A	N/A	1
Zhang Dongmin	2	N/A	N/A	N/A	N/A
Wang Xiao	2	N/A	N/A	N/A	1
Luo Dan	2	N/A	2	N/A	N/A
Non-executive Directors					
Xiao Jun					
(Chairman of the Board)	2	1	N/A	N/A	N/A
Yang Bin	2	N/A	N/A	2	N/A
Independent non-executive Directors					
Shu Wa Tung, Laurence	2	N/A	N/A	2	1
Ye Yong	2	1	2	2	N/A
Li Yuanfu	2	1	2	N/A	N/A

The Company did not hold any general meeting from the Listing Date to the date of this annual report.

CHAIRMAN OF THE BOARD AND THE GENERAL MANAGER

The Chairman of the Board and the General Manager of the Company are held by different persons. Mr. Xiao Jun, a non-executive Director, serves as the Chairman of the Board, and Mr. Tang Fawei, an executive Director, serves as the General Manager. The duties of the Chairman of the Board and the General Manager and the division of the work between them are clearly defined in writing to ensure a definite division of power and duties with clear-cut and efficient implementations of their respective duties.

The Chairman of the Board is responsible for formulating the corporate and operational strategies of the Group and ensuring the establishment of sound corporate governance practices and procedures. The General Manager is responsible for the management of the Group's business operation according to the authority delegated by the Board and the implementation of the corporate objectives and directions and risk management and internal control policies laid down by the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received written confirmation letter from each of the independent non-executive Directors in respect of his independence as set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors remain independent.

TERMS OF APPOINTMENTS OF NON-EXECUTIVE DIRECTORS

The terms of appointments of non-executive Directors should refer to the sub-section headed "Biographical Details of Directors" of "Biographical Details of Directors, Supervisors and Senior Management" of this annual report.

DUTIES OF THE BOARD

The Board is responsible for and has full power and authorities for the management and development of the Company. The functions and duties of the Board include: convening the shareholders' general meetings and to report on its work to the shareholders' general meetings; implementing the resolutions adopted by the shareholders' general meetings; determining the Company's business plans and investment plans; formulating the Company's plans for annual financial budgets and final accounts; formulating the Company's profit distribution plans and plans to cover losses; and exercising other powers, functions and duties conferred by the Articles of Association.

The Board delegates day-to-day operations of the Company to the management. The functions and duties of the management include: to be in charge of the Company's operation and management, to organise the implementation of the resolutions of the Board and report to the Board; to implement the Company's annual business plans and investment plans; to draft plans for the establishment of the Company's internal management organizations; to draft the Company's basic management system; to formulate the specific rules and regulations of the Company and to exercise other powers and functions granted by the Articles of Association and the Board. The Board and the management have clearly defined their powers and responsibilities under various internal control and balance mechanisms.

The non-executive Directors (including independent non-executive Directors) and Supervisors of the Company can obtain knowledge of the Company's business activities and business development trends through various channels to ensure that they can perform their duties properly. From the Listing Date to the date of this annual report, the Company provided the following information, reports and training activities to assist Directors and Supervisors in performing their duties:

(i) reporting on the Board meetings and reviewing major matters such as annual work summary and progress on major issues;

(ii) consulting with non-executive Directors, independent non-executive Directors and Supervisors on the strategic decisions-making of the Group;

(iii) providing the independent non-executive Directors with documents and information required to perform their duties in a timely manner; and

(iv) arranging for Directors to participate in the training on the Listing Rules and providing advice on regulations to Directors and Supervisors upon request to help them fully and systematically understand the Company's operations and the relevant domestic and foreign regulations and principles regarding governance.

CORPORATE GOVERNANCE REPORT

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

The Company has established procedures of training and development for Directors, Supervisors and senior management.

Prior to the Listing Date, all Directors have been provided with the relevant guideline materials regarding the duties and responsibilities of Directors, the relevant laws and regulations applicable to Directors and the obligations of disclosure of interests. In addition, relevant reading materials including legal and regulatory updates have been provided to the Directors for their reference and studying.

Name of Directors	Theme Training Notes	Monthly Law and Regulation Updates and Regulatory Dynamics
Executive Directors		
Tang Fawei *(General Manager)*	✓	✓
Zhang Dongmin	✓	✓
Wang Xiao	✓	✓
Luo Dan	✓	✓
Non-executive Directors		
Xiao Jun *(Chairman of the Board)*	✓	✓
Yang Bin	✓	✓
Independent non-executive Directors		
Shu Wa Tung, Laurence	✓	✓
Ye Yong	✓	✓
Li Yuanfu	✓	✓

Notes:

(1) On 12 June 2018, all Directors, Supervisors and senior management of the Company participated in the training provided by the Company's lawyers for overseas listing regarding the continuous obligations and responsibilities required to be undertaken for listing.

(2) On 26 February 2019, all Directors, Supervisors and senior management of the Company participated in the training provided by the Hong Kong legal counsel of the Company regarding (i) the relationship with the controlling shareholders; (ii) inside information management; and (iii) connected transactions. The purpose of the training is to raise the awareness of corporate compliance management of the Group to effectively improve the governance of the Company.

BOARD COMMITTEES

The Board has delegated certain of its duties to various committees. In accordance with the relevant PRC laws and regulations and the provisions on corporate governance prescribed in the Listing Rules and the Articles of Association, the Company has established four Board committees, namely the Nomination Committee, the Remuneration and Evaluation Committee, the Audit and Risk Management Committee and the Strategy and Development Committee, to oversee particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authorities and duties. The terms of reference of each of the Board Committees are posted on the Company's website and the Stock Exchange's website and are available to the Shareholders upon request.

NOMINATION COMMITTEE

As at the date of this annual report, the Nomination Committee consisted of three Directors, namely Mr. Xiao Jun (non-executive Director), Mr. Li Yuanfu (independent non-executive Director) and Mr. Ye Yong (independent non-executive Director), and Mr. Xiao Jun served as the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include: (a) reviewing the structure, number of members and composition of the Board at least once a year, and advising on any changes to be made by the Board in response to the Company's strategies; (b) studying and advising on the standards, procedures and methods for the election of Directors and senior management members; (c) searching for qualified candidates for Directors and senior management members; (d) evaluating the eligibility of candidates for Directors and senior management members and reporting to the Board its opinions and advise on the relevant appointment; (e) reviewing the independence of the independent non-executive Directors; (f) advising to the Board on the appointment or re-appointment of Directors and senior management members, as well as the succession plans for Directors and senior management members (especially the Chairman of the Board and General Manager). For details, please refer to the Terms of Reference of the Nomination Committee.

The nomination process of Directors of the Company is as follows: first, the Nomination Committee shall actively study the demand of the Company for new Directors and senior management, taking into account the requirements of the Board diversity policy of the Company and present such information in writing; the Nomination Committee shall seek extensively for candidates for Directors and senior management from the Company, its wholly-owned, controlled and invested enterprises and the human resources market, gather information about the occupation, academic qualifications, positional titles, detailed work experience and all the concurrent posts of the candidates and present such information in writing; second, the Nomination Committee shall obtain the consent for nomination from nominees; third, the Nomination Committee shall convene a meeting to review the qualifications of the candidates based on the criteria for Directors; fourth the Nomination Committee shall make suggestions to the Board on the candidates for Directors and submit the relevant materials; fifth, the Board shall review and approve the nomination of candidates for Directors and submit it for approval at the general meeting. Shareholders, either individually or in aggregate, holding more than 3% of the Shares of the Company shall have the right to nominate Directors in the way of exercising its right of proposal. For the specific way of proposal, please refer to Article 133 of the Articles of Association.

The Company has established a Board diversity policy. When designing the composition of the Board, the Company shall consider diversity of the Board in various aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. In making recommendation or providing advice to the Board in respect of appointing new Directors of the Company, the Nomination Committee of the Board shall fully take into account the benefits of diversity of the Board. Selection of candidates will be based on a range of diversity aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. Meanwhile, the Company shall consider the above-mentioned factors based on its own business model and specific needs from time to time and make final decisions based on merits and contributions that the candidates will bring to the Board.

As at the date of this annual report, the Nomination Committee actively performed its duties, reviewed the structure, number and composition of the Board of the Company, reviewed the independence of independent non-executive Directors, and considered and approved the continuing professional training program of Directors and senior management in 2019.

REMUNERATION AND EVALUATION COMMITTEE

As at the date of this annual report, the Remuneration and Evaluation Committee consisted of three Directors, namely Mr. Ye Yong (independent non-executive Director), Mr. Luo Dan (executive Director) and Mr. Li Yuanfu (independent non-executive Director), and Mr. Ye Yong served as the chairman of the Remuneration and Evaluation Committee.

The primary duties of the Remuneration and Evaluation Committee include: (a) advising to the Board on the overall remuneration policy and framework for Directors and senior management members, and on the establishment of standardised and transparent remuneration policy formulation procedures; (b) studying assessment criteria, performance evaluation procedures, remuneration and rewards and punishment policies for Directors and senior management members and submitting the same to the Board for approval; (c) formulating the management rules on performance evaluation of Directors and senior management members of the Company, preparing the evaluation plan and determining the evaluation objectives; (d) reviewing and approving proposals on senior management's remuneration in accordance with the Company's guidelines and targets approved by the Board; (e) formulating and advising to the Board on the remuneration packages for Directors and senior management members and submitting the same to the Board for approval; (f) reviewing and approving the compensation required to be paid to the executive Directors and senior management members for the loss or termination of the office or appointment; (g) reviewing and approving the compensation arrangements with regard to the dismissal or removal of Directors due to their misconduct; (h) ensuring the Directors or their associates not to determine by themselves, or be involved in determining their remuneration; (i) supervising the implementation of the Company's remuneration policies; (j) studying and advising on the Company's equity incentive plan and submitting the same to the Board for approval. Please refer to the Terms of Reference of the Remuneration and Evaluation Committee for details.

The remunerations of the Directors and senior management of the Company are determined in accordance with the policies and objectives of the Company, remuneration paid by similar companies and time commitment and responsibilities assumed by such Director and senior management member and other factors. The remunerations of the Directors are determined at the general meeting and the remunerations and awards and punishments of the senior management members are determined by the Board. The Company makes no further determination or payments of the Directors' emoluments for the Directors who receive management remunerations from the Company or its Shareholders. During the Reporting Period, the emoluments received by the Board members and the senior management were strictly based on the proposal approved at the general meeting and by the Board.

The emoluments of the members of the senior management of the Company by band during the Reporting Period are set out below:

	Number of persons For the year ended 31 December	
Band of emoluments	**2018**	2017
RMB200,000 to RMB300,000	**2**	2
RMB300,000 to RMB400,000	**4**	5
RMB400,000 to RMB500,000	**2**	1

Further particulars regarding Directors' remuneration are set out in note 8 to the financial statements of this annual report.

As at the date of this annual report, the Remuneration and Evaluation Committee actively performed its duties and responsibilities. It has held two meetings in total to consider issues such as granting business objective rewards to senior management personnel and confirming service allowances for independent non-executive Directors.

AUDIT AND RISK MANAGEMENT COMMITTEE

As at the date of this annual report, the Audit and Risk Management Committee consisted of three Directors, namely Mr. Shu Wa Tung, Laurence (independent non-executive Director), Mr. Ye Yong (independent non-executive Director) and Mr. Yang Bin (non-executive Director), and Mr. Shu Wa Tung, Laurence served as the chairman of the Audit and Risk Management Committee, who has a professional qualification in accountancy.

CORPORATE GOVERNANCE REPORT

The primary duties of the Audit and Risk Management Committee include: (a) advising to the Board on the appointment, renewal, change or dismissal of external auditors and submitting the same to the Board for approval; approving and reviewing audit fees and appointment terms for external auditors; (b) reviewing and supervising the independence and objectivity of the external auditors and the effectiveness of the audit procedures according to applicable standards, and discussing issues related to the nature, category and reporting responsibility of auditing with external auditors before the auditing work starts; (c) formulating and implementing policies of non-audit services provided by external auditors, reporting and advising to the Board the actions they deem necessary to be taken or matters to be improved; (d) reviewing and supervising the completeness of the Company's financial statements, annual reports and accounts, interim reports and quarterly reports (if any), and reviewing the important opinions on the financial reporting recorded in the financial statements and financial reports; (e) reviewing the Company's financial overseeing, internal control and risk management systems, monitoring the implementation of such system on an on-going basis, and ensuring that the effectiveness of the Group's risk management and internal control systems is reviewed at least once a year; (f) reviewing the compliance by the Company with the applicable Corporate Governance Code and the disclosure requirements of corporate governance report as required by the regulatory rules at the place where the Shares are listed; (g) discussing on the risk management and internal control systems with the management of the Company to ensure the establishment of an effective internal control system by the management, supervising the effective implementation of internal control and the self-assessment conditions of internal control, and coordinating internal control audit and other related matters; (h) reviewing the Company's financial and accounting policies and practices; (i) confirming the list of the Company's related/connected parties and reporting to the Board and the Supervisory Committee; conducting a preliminary review of the related/connected transactions to be submitted to the Board for consideration and approval; and reviewing the reasonableness and necessity of major related transactions; (j) reviewing internal control valuation report reported by the internal Audit Department; (k) supervising and controlling the risks that the Company is legally affected by the overseas sanctions to ensure a timely, complete and accurate disclosure of information related to the transactions subject to sanctions in accordance with such laws. Please refer to the Terms of Reference of the Audit and Risk Management Committee for details.

As at the date of this annual report, the Audit and Risk Management Committee actively performed its duties and held two meetings in total to consider issues such as proposing the selection and appointment of the Company's external auditors, supervising the Company's internal audit system, reviewing the financial statements for the year of 2018 and the auditor's report, reviewing and approving the 2018 annual results announcement and the 2018 annual report of the Company, reviewing the Company's internal control and risk management systems, and independently evaluating and supervising the compliance, legality and effectiveness of the Company's economic activities.

STRATEGY AND DEVELOPMENT COMMITTEE

As at the date of this annual report, the Strategy and Development Committee consisted of three Directors, including Mr. Tang Fawei (executive Director), Ms. Wang Xiao (executive Director) and Mr. Shu Wa Tung, Laurence (independent non-executive Director), and Mr. Tang Fawei served as the chairman of the Strategy and Development Committee.

The primary duties of the Strategy and Development Committee include: (a) establishing the basic framework for the Company's strategy-making procedures, studying and advising on the Company's medium and long-term strategic development plan; (b) studying and advising on major financing and investment plans which, according to the Articles of Association, should be approved by the Board or at the general meeting; (c) auditing and advising on the Company's annual business plan; (d) conducting study and advising on major capital operation and asset management projects which are required to be approved by the Board or at the general meeting according to the Articles of Association; (e) studying and advising on the plans for corporate reorganization, mergers and acquisitions, equity transfer, restructuring, organizational restructuring which, according to the Articles of Association, should be approved by the Board or at the general meeting; (f) studying and advising on other major events which may have influence in the Company's development; (g) conducting post-investment project assessments; and (h) supervising the implementation of the above matters. Please refer to the Terms of Reference of the Strategy and Development Committee for details.

As at the date of this annual report, the Strategy and Development Committee actively performed its duties and conducted research and review of the Company's development plan for the next five years (2019-2023).

RISK MANAGEMENT AND INTERNAL CONTROL

The Company is dedicated to the establishment and maintenance of a sound internal control system. The internal control system of the Company covers corporate governance, operation, management, legal affairs, finance and auditing. The Company has established internal rules and systems pursuant to the Company Law, the Listing Rules and other relevant laws and regulations, such as the Rules of Procedures for Shareholders' General Meetings, Rules of Procedures for Board Meetings, Rules of Procedures for Supervisory Committee Meetings and the terms of reference for specific committees, which stipulate, among others, the duties and responsibilities of the Board and the Supervisory Committee. The Company has adopted and implemented risk management policies and corporate governance measures in various aspects of the business operations such as financial reporting, legal compliance and human resources management.

The Board is responsible for the risk management and internal control systems and reviewing their effectiveness through the Audit and Risk Management Committee. Such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

Procedure for identifying, assessing and managing major risks

The Company has formulated the Risk Management Measures of Chengdu Expressway Co., Ltd. to clearly define the risk management process. The risk management process includes initial risk information collection, risk assessment, risk response as well as supervision and improvement of internal control and risk management.

Initial risk information collection: extensively and continuously collects internal and external initial information related to the Company's risks and risk management through various internal and external information collection channels, including historical data, future forecasts and risk loss cases of the Company and related domestic and foreign enterprises. The Group regularly conducts an initial risk information collection to implement dynamic management of the risk information.

Risk assessment: the Company conducts risk assessment based on the initial risk information collected regularly and various business management activities and its major business processes. The Group conducts a risk assessment at least once a year based on the initial risk information collection.

Risk response: according to its own conditions and external environment, the Company determines the risk appetite, risk tolerance, risk management effectiveness criteria, and selects such appropriate risk management tools such as risk exposure, risk aversion, risk transfer, risk conversion, risk hedging, risk compensation and risk control based on the corporate development strategies. The Group set up risk management and control objectives annually.

Internal control: the Company formulates the corresponding internal control measures according to the inherent risks of each business process based on the Company's risk appetite, risk tolerance and risk management effectiveness criteria.

Supervision and improvement of risk management: after each department implements risk management control according to the response strategies, the department head shall regularly report to the management at the general manager's office meeting on the progress of the control and the updated information on the relevant risk changes collected during the implementation, so as to enable the management to timely receive the dynamic results of risk changes and make response actions. The Audit and Supervision Department will also employ a third-party organization to conduct control testing on the implementation by the departments implementing the risk response strategies according to the requirements of the Company's management, supervise the results of risk changes, and assist the departments in adjusting the risk response strategies in a timely manner.

Characteristics of risk management and internal control system

The Company has established three levels of risk management prevention, in which all departments carry out the first level of prevention, the Audit and Supervision Department (the internal audit department of the Company) and the Audit and Risk Management Committee carry out the second level of prevention, and the Board carries out the third level of prevention.

All departments of the Company and its subsidiaries shall implement their respective basic risk management process, following the organization, coordination, guidance and supervision of the Audit and Supervision Department of the Company in the overall risk management work.

The Audit and Risk Management Committee is comprehensively responsible for the Company's risk management work and is accountable to the Board. The Audit and Supervision Department is the designated management department for the Company's risk management work, responsible for the daily organization and coordination of the Company's risk management, and is accountable to the Company's Audit and Risk Management Committee. In the aspect of risk management, the Audit and Supervision Department is mainly responsible for studying and raising a comprehensive risk management supervision and evaluation system, formulating relevant systems for supervision and evaluation, conducting supervision and evaluation, and issuing audit reports on supervision and evaluation.

The Board is accountable to the general meetings for the effectiveness of the risk management.

Procedure for reviewing the effectiveness of risk management and internal control system

After the listing of the Company, the Audit and Supervision Department employed a third-party organization to conduct control testing on the implementation and internal control effectiveness of the departments implementing the risk response strategies according to the requirements of the Company's management, and assist the departments in adjusting the risk response strategies in a timely manner. At the end of each year, each department shall conduct risk self-assessment work based on the risk management objectives and control tables, the implementation conditions and results of the risk response strategies, and re-evaluate the probability of occurrence of major risks at each of the control points in the departments. At the same time, the Audit and Supervision Department or the external third-party organization shall review the risk self-assessment score based on the control testing results, and issue an annual risk assessment and improvement report, which will finally be submitted to the Board for review.

Procedure for addressing serious internal control defect

The Company has formulated a corresponding rectification plan for internal control defects based on the results of the annual internal control assessment results. The Audit and Supervision Department will conduct follow-up audits within a certain period after the audit to check the implementation status and effectiveness of the rectification.

CORPORATE GOVERNANCE REPORT

Ongoing measures to monitor the implementation of risk management policies

The Audit and Risk Management Committee and senior management of the Company monitor the implementation of the risk management policies of the Group on an on-going basis to ensure that the Group's internal control system is effective in identifying, managing and mitigating risks involved in the operations. The Company has established the Audit and Supervision Department which is responsible for audit, internal control management, risk management and legal affairs.

The Company has reviewed the effectiveness of the Group's risk management and internal control during the Reporting Period. The Board considers that, in terms of such businesses and matters as included in the scope of assessment, the Company had put in place risk management and internal control which had been implemented effectively with the Company's risk management and internal control objectives being accomplished, and there were no significant defects during the Reporting Period.

The Company has engaged an international advisory firm to supervise the Group's implementation of the internal control of the Company. The head of each department of the Group will regularly update the risk register and related risks and report and make recommendation for prevention to the Board. The Company will continuously optimise the risk management and internal control systems based on its existing systems, and will practically establish, perfect and implement corporate risk management and internal control system with definite division between powers and duties, scientific management and efficient implementation.

Inside Information Management

The Company has implemented a registration and filing system for the insiders, who should bear the responsibility of confidentiality for the inside information they know. The Company shall disclose the information to the public as soon as reasonably practicable after knowing any insider information or after the information has been identified as inside information by the Company's Board or the inside information management team, except for the information which is temporarily non-discloseable under the laws and regulations and regulatory rules. Regarding the aforementioned temporarily non-discloseable inside information, the Company shall take relevant measures to keep the information strictly confidential, and once the information is leaked, the Company shall immediately disclose it to the public, or (if necessary) apply for the suspension of trading of the Company's securities.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements for each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Company deploys appropriate and sufficient resources to prepare financial statements. Senior management is required to present and explain the financial reporting and matters that materially affect or may have material impact on the financial performance and operations of the Group to the Audit and Risk Management Committee and the Board and respond to the queries and concerns raised by the Audit and Risk Management Committee and the Board to their satisfaction. The consolidated financial statements have been prepared in accordance with the IFRSs and the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The reporting responsibilities of the Company's auditor on the consolidated financial statements of the Group for the year ended 31 December 2018 are set out in the Independent Auditor's Report of this annual report.

AUDITOR'S RENUMERATION

For the year ended 31 December 2018, the remuneration payable by the Group to its international auditor, Ernst & Young, is set out below:

	RMB'000
Audit services	1,100
Advisory services	193
Total	1,293

JOINT COMPANY SECRETARIES

The joint company secretaries of the Company are Mr. Zhang Guangwen, the Secretary to the Board, and Ms. Kwong Yin Ping, Yvonne, a vice president of SWCS Corporate Services Group (Hong Kong) Limited who possesses the qualifications of company secretary as required under Rules 3.28 of the Listing Rules. The joint company secretaries are mainly responsible for facilitating the operation of the Board, ensuring the effective information communications among the members of the Board and the compliance with the policies and procedures of the Board, and ensuring the compliance with the Listing Rules and other regulations by the Company. The main contact person in the Company for Ms. Kwong Yin Ping, Yvonne is Mr. Zhang Guangwen.

All Directors have access to the advice and services from the joint company secretaries of the Company on corporate governance and the Board's practices and matters to ensure the compliance with the Board's procedures and all applicable laws, rules and regulations.

CORPORATE GOVERNANCE REPORT

COMMUNICATIONS WITH SHAREHOLDERS

According to Article 67 of the Articles of Association, an extraordinary general meeting shall be convened upon request in writing by Shareholders, either individually or in aggregate, holding more than 10% of the Company's issued voting Shares. Please refer to Article 109 of the Articles of Association for the specific procedures for Shareholders to convene an extraordinary general meeting.

According to Article 70 of the Articles of Association, Shareholders, either individually or in aggregate, holding more than 3% of the Shares of the Company shall have the right to propose new proposals in writing to the Company, and the Company shall include the proposals into the agenda of such general meeting if they fall within the functions and powers of the general meeting.

The Company considers that effective communications with Shareholders are essential for enhancing the relations between investors and the Group, and investors' understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders through general meetings. At the general meetings, Directors (or their delegates as appropriate) will meet Shareholders and answer their enquiries.

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The details of contact information are set forth as follows:

Address:	Chengdu Expressway Co., Ltd. 9th Floor, Office Building, Chengnan Tianfu Building, No.66 Shenghe 1st Road, High-Tech Zone, Chengdu
Contact Tel:	86 28 86056037
Fax:	86 28 86056067
E-mail:	cggfdb@chengdugs.com

The Company will strictly abide by its statutory obligations in respect of information disclosure, and carry out investor relations activities through various forms to actively promote the image of the Company, convey information to investors in a timely manner and consider their opinions and advices carefully, aiming to form a benign interaction between the Company and investors.

When conducting its investor relations work, the Company will actively communicate with investors through various manners, including setting up a platform on the website of the Company, telephone and e-mail.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

The Company has adopted a dividend policy, and the formulation and implementation of the dividend policy conform to the provisions of the Articles of Association.

The dividend policy of the Company regulates that the proposed dividends shall be determined by the Board based on factors including: (i) the Group's actual and expected financial performance; (ii) the Company's profits and reserves available for distribution; (iii) the Group's working capital demands, capital expenditure demands and future expansion plans; (iv) the liquidity position of the Company; (v) the macroeconomic conditions and internal or external factors that may affect the business, financial performance and position of the Group; (vi) statutory and regulatory restrictions relating to dividend distribution; (vii) provisions of the Articles of Association, and shall be declared subject to the consideration and approval by Shareholders at the general meeting.

After the general meeting has passed a resolution on the profit distribution plan, the Board shall complete the distribution and payment of dividends within 2 months after the general meeting is held.

The cash dividends and other payments payable by the Company to the holders of the Domestic Shares shall be denominated and declared in RMB, and paid in RMB. The cash dividends and other payments payable by the Company to the holders of the H Shares shall be denominated and declared in RMB, and paid in Hong Kong dollars.

ARTICLES OF ASSOCIATION

After the over-allotment Shares were listed on the Stock Exchange on 12 February 2019, the registered capital of the Company changed to RMB1,656,102,000, and the total share capital changed to 1,656,102,000 Shares. To reflect such change in the registered capital and share capital structure of the Company, pursuant to the resolution to grant authority to the Board to make corresponding adjustment and amendment to the Articles of Association based on the actual situation of the public offering passed at the 2017 first extraordinary general meeting and 2018 second extraordinary general meeting, the Board resolved to make amendments to the Articles of Association on 27 March 2019. The latest Articles of Association is available on the Company's website and the Stock Exchange's website from 27 March 2019.

DIRECTORS' REPORT

The Board is pleased to present this report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

GROUP ACTIVITIES AND PERFORMANCE

The Group is primarily engaged in the operation, management and development of expressways located in and around Chengdu, Sichuan province. During the Reporting Period, there was no significant change in the business of the Group. The expressway network of the Group includes four expressways: Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway and Chengdu Airport Expressway. In addition, the Company holds 40% equity interest in Chengbei Exit Expressway.

The Group's results for the year ended 31 December 2018 and the financial position of the Group as at the same date are set out in the audited financial statements of this annual report.

BUSINESS REVIEW

Description of the fair review of the Group's business and the analysis using the financial key performance indicators, and future prospects of the Group's business are set out in the sections headed "Financial and Operational Highlights", "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

FINANCIAL HIGHLIGHTS

The Group's results and financial position for the past four financial years are summarised and set out in the section headed "Financial and Operational Highlights" of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as the issuance of H Shares disclosed in the section headed "Subsequent Events" below, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities from the Listing Date to the date of this annual report.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in reserves of the Group during the Reporting Period are set out in the section headed "Consolidated Statement of Changes in Equity" and note 23 to the consolidated financial statements of this annual report.

The total amount of the reserve distributable to equity Shareholders as at the end of the Reporting Period was approximately RMB491.009 million.

According to the resolution at the 5th extraordinary general meeting of the Company in 2018, the Company agreed that the profits of the Company in 2018 will be shared by new and existing Shareholders after the completion of the issuance and listing of H Shares in proportion to their respective shareholding ratio.

DIVIDENDS

According to relevant provisions of the Articles of Association, in distributing its after-tax profits for relevant accounting year, the lower of the after-tax profits presented in the financial statements prepared according to PRC Generally Accepted Accounting Standards and International Financial Reporting Standards shall prevail. In addition, according to the Reply on the Profit Distribution in the Consolidated Financial Statements issued by the Ministry of Finance, the profit distribution of companies that prepare consolidated accounting statements shall be based on the distributable profits of the parent company. As such, the Board proposed to make profit distribution based on the relevant data stated in the financial statements of the parent company (i.e. the financial statements of the Company) which is prepared in accordance with the International Financial Reporting Standards. In 2018, the Company realised total comprehensive income for the year attributable to owners of the Company of RMB415,488,000 as stated in the consolidated financial statements, realised after-tax profit of RMB387,489,000 as stated in the Company's financial statements, of which distributable profit was RMB348,397,000.

As such, the Board recommended a final cash dividend for 2018 of RMB215,293,260 in total, and based on the Company's current total number of Shares of 1,656,102,000, RMB0.13 per Share (tax inclusive). The dividend distribution proposal is subject to the approval by the Shareholders at the AGM to be held on 27 June 2019. If approved, the final dividends are expected to be paid on 16 August 2019 to Shareholders whose names appear on the register of members of the Company on 9 July 2019. Dividends payable to the holders of Domestic Shares will be paid in RMB, and dividends payable to the holders of H Shares will be paid in Hong Kong dollars. The amount of Hong Kong dollars payable will be calculated based on the average central parity rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China during the calendar week prior to the announcement of declaration of the final dividend at the AGM (if approved).

The amount of dividends proposed for 2018 accounted for approximately 61.8% of the distributable profits stated in the financial statements of the Company during the year.

TAXATION ON DIVIDENDS

Pursuant to the Enterprise Income Tax Law of the PRC and its implementing regulations (hereinafter collectively referred to as the "EIT Law"), the tax rate of the enterprise income tax applicable to the income of non-resident enterprise deriving from the PRC is 10%. For this purpose, any H shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organizations or entities, shall be deemed as shares held by non-resident enterprise shareholders as defined under the EIT Law. The Company will distribute the final dividend to non-resident enterprise shareholders subject to a deduction of 10% enterprise income tax withheld and paid by the Company on their behalf.

According to the Circular on Issues Concerning Taxation and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348), the Company shall withhold and pay individual income tax for individual Shareholders of the H Shares. If the individual Shareholders of the H Shares are Hong Kong or Macau residents or residents of the countries or regions which have an agreed tax rate of 10% under the relevant tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders.

If the individual Shareholders of the H Shares are residents of the countries or regions that have a tax rate lower than 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders. If such Shareholders claim refund of the amount in excess of the individual income tax payable under the tax treaties, the Company can apply on behalf of such Shareholders according to the relevant tax treaties for the relevant agreed preferential tax treatment provided that the relevant Shareholders submit the relevant documents and information in a timely manner required by the Administrative Rules on Enjoying Treatment under Taxation Treaties by Non-resident Taxpayers (State Administration of Taxation Announcement, 2015, No. 60) and the provisions of the relevant tax treaties. The Company will assist with the tax refund subject to approval of the competent tax authority.

If the individual Shareholders of the H Shares are residents of the countries or regions that have a tax rate higher than 10% but lower than 20% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the applicable tax rates stated in such tax treaties on behalf of such Shareholders.

If the individual holders of the H Shares are residents of the countries or regions that have a tax rate of 20% under the tax treaties with the PRC, or that have not entered into any tax treaties with the PRC, or otherwise, the Company will withhold and pay individual income tax at the rate of 20% on behalf of such Shareholders.

CLOSURE OF REGISTER OF MEMBERS

The AGM for the year 2018 of the Company will be convened on Thursday, 27 June 2019. In order to ascertain Shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 28 May 2019 to Thursday, 27 June 2019 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all duly completed transfer forms accompanied by the relevant Share certificates shall be lodged with the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before 4:30 p.m. on Monday, 27 May 2019. Shareholders whose names appear on the register of members of the Company on Tuesday, 28 May 2019 shall be eligible to attend the AGM.

The register of members of the Company will be closed from Thursday, 4 July 2019 to Tuesday, 9 July 2019 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for receiving the final dividends, holders of H Shares shall lodge all transfer documents with the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before 4:30 p.m. on Wednesday, 3 July 2019. Shareholders whose names appear on the register of members of the Company on Tuesday, 9 July 2019 shall be eligible to receive final dividends.

PUBLIC FLOAT

The H Shares of the Company were listed on the main board of the Stock Exchange on 15 January 2019. Based on the information publicly available to the Company and to the best knowledge of the Directors, the Company has maintained a sufficient public float in compliance with the Listing Rules as at the Latest Practicable Date.

SHARE CAPITAL

As at the date of this annual report, the total share capital of the Company amounted to RMB1,656,102,000, which was divided into 1,656,102,000 Shares with a nominal value of RMB1.00 each. The share capital structure of the Company as at the Latest Practicable Date was as follows:

Class of Shares	Number of Shares	Percentage to the total issued share capital
Domestic Shares	1,200,000,000	72.46%
H Shares	456,102,000	27.54%
Total	1,656,102,000	100%

INTERESTS AND/OR SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As the H Shares have not been listed on the Stock Exchange during the Reporting Period, Divisions 7 and 8 of Part XV of the SFO and section 352 of the SFO do not apply to the Directors, Supervisor and chief executive of the Company as at the end of the Reporting Period.

DIRECTORS' REPORT

As at the date of this annual report, based on the information available to the Company and to the best knowledge of the Directors, none of the Directors, Supervisors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or were recorded in the register required to be kept by the Company under section 352 of the SFO, or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As the H Shares have not been listed on the Stock Exchange during the Reporting Period, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO do not apply to substantial Shareholders as at the end of the Reporting Period.

As at the date of this annual report, based on the information available to the Company and to the best knowledge of the Directors, the following persons (other than the Company's Directors, Supervisors and chief executive) or corporations had interests or short positions in the Shares or underlying Shares of the Company which had to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or were recorded in the register required to be kept by the Company under section 336 of the SFO:

Domestic Shares

Name of Shareholders	Nature of interest and capacity	Class of Shares	Long position/ Short position	Number of Shares interested	Percentage of relevant class of Shares as at the date of this annual report	Percentage of total issued share capital as at the date of this annual report
Chengdu Communications Investment Group Corporation Limited (成都交通投資集團有限公司)[1]	Interest in controlled corporation	Domestic Shares	Long position	900,000,000	100%	72.46%
	Beneficial owner	Domestic Shares	Long position	300,000,000		
Chengdu Expressway Construction and Development Co., Ltd. (成都高速公路建設開發有限公司)[2]	Beneficial owner	Domestic Shares	Long position	900,000,000	75%	54.34%

Notes:

(1) Chengdu Communications Investment Group Corporation Limited is wholly owned by Chengdu SASAC.

(2) Chengdu Expressway Construction and Development Co., Ltd. is a wholly-owned subsidiary of Chengdu Communications Investment Group Corporation Limited.

H Shares

Name of Shareholders	Nature of interest and capacity	Class of Shares	Long position/ Short position	Number of Shares interested	Percentage of relevant class of Shares as at the date of this annual report	Percentage of total issued share capital as at the date of this annual report
Guangdong Provincial Communication Group Company Limited* (廣東省交通集團有限公司) [1]	Interest in controlled corporation	H Shares	Long position	100,000,000	21.92%	6.04%
Xin Yue Company Limited* (新粵有限公司) [1]	Beneficial owner	H Shares	Long position	100,000,000	21.92%	6.04%
Chengdu Xiecheng Asset Management Co., Ltd.* (成都市協成資產管理有限責任公司) [2]	Interest in controlled corporation	H Shares	Long position	50,000,000	10.96%	3.02%
Chengdu Jiaozi Financial Investment Group Co., Ltd.* (成都交子金融投資集團有限公司) [2]	Beneficial owner	H Shares	Long position	50,000,000	10.96%	3.02%
Chengdu Rail Transit Group Co., Ltd.* (成都軌道交通集團有限公司) [3]	Interest in controlled corporation	H Shares	Long position	49,950,000	10.95%	3.02%
Chengdu Rail Industrial Investment Co., Ltd.* (成都軌道產業投資有限公司) [3]	Trust beneficiary	H Shares	Long position	49,950,000	10.95%	3.02%
Fullgoal Fund Management Co., Ltd.* (富國基金管理有限公司) [4]	Investment manager	H Shares	Long position	49,900,000	10.94%	3.01%
Chengdu Urban Construction Investment Management Group Co., Ltd.* (成都城建投資管理集團有限責任公司)	Beneficial owner	H Shares	Long position	49,900,000	10.94%	3.01%

Name of Shareholders	Nature of interest and capacity	Class of Shares	Long position/ Short position	Number of Shares interested	Percentage of relevant class of Shares as at the date of this annual report	Percentage of total issued share capital as at the date of this annual report
Chengdu Environment Investment Group Company Limited* (成都環境投資集團有限公司)	Beneficial owner	H Shares	Long position	45,450,000	9.96%	2.74%
Chengdu Tianfu New Area Investment Group Co., Ltd.* (成都天府新區投資集團有限公司) [5]	Interest in controlled corporation	H Shares	Long position	42,939,000	9.41%	2.59%
Chengdu Tianfu New Area Financial Holdings Co., Ltd.* (成都天府新區金融控股有限公司) [5]	Trust beneficiary	H Shares	Long position	42,939,000	9.41%	2.59%
Chengdu Industry Investment Group Co., Ltd.* (成都產業投資集團有限公司) [6]	Interest in controlled corporation	H Shares	Long position	25,646,000	5.62%	1.55%
Chengdu Advanced Manufacturing Industry Investment Co., Ltd.* (成都先進製造產業投資有限公司) [6]	Beneficial owner	H Shares	Long position	25,646,000	5.62%	1.55%

* *For identification purpose only*

Notes:

(1) Guangdong Provincial Communication Group Company Limited holds interests in 100,000,000 H Shares of the Company through its wholly-owned subsidiary, Xin Yue Company Limited.

(2) Chengdu Jiaozi Financial Investment Group Co., Ltd. is owned as to 40% by Chengdu Xiecheng Asset Management Co., Ltd.. Chengdu Jiaozi Financial Investment Group Co., Ltd. is interested in 50,000,000 H Shares of the Company.

(3) Chengdu Rail Industrial Investment Co., Ltd. is wholly-owned by Chengdu Rail Transit Group Co., Ltd.. Chengdu Rail Industrial Investment Co., Ltd. holds interests in 49,950,000 H Shares of the Company through investment in the trust scheme of China Credit Trust Co., Ltd.

(4) As an investor manager, Fullgoal Fund Management Co., Ltd. holds interests in 49,900,000 H Shares of the Company. The fund it manages is the Fullgoal Fund Global Allocation No. 6 QDII-Asset Management Plan (富國基金全球配置6號QDII一資產管理計劃).

(5) Chengdu Tianfu New Area Investment Group Co., Ltd. holds 100% interests of Chengdu Tianfu New Area Financial Holdings Co., Ltd.. Chengdu Tianfu New Area Financial Holdings Co., Ltd. holds interests in 42,939,000 H Shares of the Company through investment in the trust scheme of China Credit Trust Co., Ltd.

(6) Chengdu Advanced Manufacturing Industry Investment Co., Ltd. is wholly owned by Chengdu Industry Investment Group Co., Ltd.. Chengdu Advanced Manufacturing Industry Investment Co., Ltd. is interested in 25,646,000 H Shares of the Company through investment in the Chengxin No.103 Trusted Overseas Wealth Management Project of China Credit Trust.

Save as disclosed above, as at the date of this annual report, the Company had not been notified by any person (other than Directors, Supervisors or chief executive of the Company) or corporation which had an interest or short position in the Shares or underlying Shares of the Company which would be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

Maintaining good relationships with major service providers is essential in the supply chain, property management and meeting business needs, which can generate cost-effectiveness and promote long-term business benefits. Our major service providers include equipment supplier, engineering material supplier, external consultant providing professional services and other business partners who provide value-added services to the Group.

Purchases from the five largest suppliers of the Group during the Reporting Period and in 2017 accounted for 82.2% and 80.8% of our total purchase amount, respectively. The total purchase amount of the Group in 2018 amounted to approximately RMB917,901,000, of which 39.9% was from the largest supplier.

Given the nature of our expressway business, the Group did not have any single customer that contributed more than 5% to its toll income, or that was otherwise material to it during the Reporting Period. During the Reporting Period, the sales of the Group to the five largest customers accounted for not more than 30% of the total sales of the Group.

None of the Directors, Supervisors, their respective close associates, or any of the Shareholders who, to the knowledge of our Directors, owns more than 5% of the Company's Shares in issue, had any interest in any of our top five suppliers.

LIST OF DIRECTORS

The list of Directors during the Reporting Period and as at the date of this report, save as otherwise stated, was set out in the sub-section headed "Biographical Details of Directors" of "Biographical Details of Directors, Supervisors and Senior Management" of this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The profiles of Directors, Supervisors and senior management were set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this annual report.

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as the non-exempt continuing connected transaction disclosed in this annual report, none of the Company, its holding company, or any of its subsidiaries or fellow subsidiaries entered into any significant transactions, arrangements or contracts which are relevant to the Group's business and in which, a Director or Supervisor of the Company or his or her connected entity had direct or indirect material interests, and subsisted as at the end of the Reporting Period or at any time during the Reporting Period.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors of the Company has any competing interests which would be required to be disclosed under Rule 8.10 of the Listing Rules.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors have entered into service contract with the Company. None of the Directors or Supervisors has entered into a service contract which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At any time during the Reporting Period or as at the end of the Reporting Period, none of the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party to any arrangement which enables the Directors and Supervisors to acquire benefits by means of acquisition of Shares or debentures of the Company or of any other body corporate.

PERMITTED INDEMNITY PROVISION

The Company maintained Directors' liability insurance to protect them from any loss to which the Directors of the Company might be liable arising from their actual or alleged misconduct.

MANAGEMENT CONTRACTS

No contract concerning the management or administration of the whole or any substantial part of the business of the Company was entered into or existed during the Reporting Period.

NON-COMPETITION AGREEMENT

On 29 June 2017, the Company and Chengdu Communications entered into a non-competition agreement, pursuant to which Chengdu Communications has irrevocably undertaken that, Chengdu Communications and its subsidiaries (excluding the Group) will not, during the term of the non-competition agreement, and will procure their associates not to, directly or indirectly, engage in, individually or jointly, with other entities, or assist to engage in or participate in any business which competes with the Group's principal business in Sichuan province.

Chengdu Communications has also undertaken to grant the Company an option, pursuant to which, the Company is entitled to acquire, at all times, from Chengdu Communications and its subsidiaries (excluding the Group) permissible under the applicable laws and regulations, any equity interest, assets or other interests in the new competing business (as defined in the Prospectus). In addition, if Chengdu Communications or its subsidiaries intends to assign, sell, lease, license to use or transfer or permit to use in other manners, any equity interests, assets or other interests in the new competing business, the Company is entitled to right of first refusal which can be exercised at any time during the term of the non-competition agreement. For details of the non-competition agreement, please refer to the section headed "Relationship with Our Controlling Shareholders" of the Prospectus.

Chengdu Communications has provided a written confirmation to the Company confirming that it has duly complied with all provisions and requirements under the non-competition agreement since the Listing Date and as at the date of this annual report.

The independent non-executive Directors have reviewed all the necessary materials provided by Chengdu Communications for compliance with the non-competition agreement and confirmed that as at the date of this annual report, Chengdu Communications has fully complied with and did not breach any terms and requirements of the non-competition agreement.

NON-EXEMPT CONNECTED TRANSACTION

During the Reporting Period, the Company has conducted the following non-exempt continuing connected transactions.

Chengdu Communications is a substantial Shareholder of the Company and hence a connected person of the Company under the Listing Rules. Therefore, the transactions between the Company and Chengdu Communications constitute connected transactions of the Company. The Company entered into a property leasing framework agreement (the "Property Leasing Framework Agreement") with Chengdu Communications on 29 June 2017, pursuant to which, Chengdu Communications Group may lease properties to the Group. The Property Leasing Framework Agreement has a term of three years commencing from the Listing Date and may be renewed with mutual consent after negotiation. The rental shall be determined at arm's length negotiations between relevant parties and by reference to the prevailing market price of local properties in vicinity with similar size and quality. Please refer to the section headed "Partially-Exempt Continuing Connected Transaction" of the Prospectus for details.

The maximum amount of the rent payable by the Group to Chengdu Communications Group under the Property Leasing Framework Agreement will be RMB1.1 million, RMB2.6 million and RMB2.9 million for the years ending 31 December 2018, 2019 and 2020, and the amount incurred in 2018 is RMB1.07 million.

The Company has confirmed that the execution and enforcement of the implementation agreements under the continuing connected transactions set above during the Reporting Period followed the pricing principles of such continuing connected transactions.

The independent non-executive Directors have reviewed and confirmed such continuing connected transactions have been entered into (i) in the usual and ordinary course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditor of the Company has provided a letter to the Board and a copy of the auditor's letter has been provided by the Company to the Stock Exchange that, in respect of the above-mentioned continuing connected transactions: (i) nothing has come to their attention that causes them to believe that such continuing connected transactions have not been approved by the Board; (ii) nothing has come to their attention that causes them to believe that such continuing connected transactions were not conducted, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) such continuing connected transactions have not exceeded the annual caps set by the Company.

The Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Listing Rules*.

Summary of the material related party transactions during the Reporting Period are disclosed in note 29 to the financial statements. Save as disclosed above and in respect of which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with, other related party transactions disclosed in note 29 to the financial statements do not constitute disclosable connected transactions under the Listing Rules.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group regards environmental protection as an important corporate responsibility and places great emphasis on implementing environmental protection measures in our daily operations. The Group has established an supervision team comprising general manager as the team leader, other senior management as the deputy team leader and the heads of various departments as members, and formulated the Administrative Measures for Urban and Rural Environmental Comprehensive Management to regulate the appearance, order, environmental sanitation and greening ecology at high-speed full-line, office areas and service districts. While the Group's main business is not in a highly polluting or hazardous industry, the traffic on the Group's expressways may produce exhaust gas, dust and noise pollution, and the Group's road maintenance, expansion or construction work may affect the surrounding vegetation, soil and water. Therefore, the Group has strictly controlled dust, noise and sewage discharge, and required measures such as closure, dust reduction and noise reduction be taken at the road construction site.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group is subject to a number of laws and regulations, which mainly include the Company Law of the PRC, the Contract Law of the PRC, the Property Law of the PRC, the Labour Law of the PRC, the Highway Law of the PRC, the Safety Production Law of the PRC, the Road Traffic Safety Law of the PRC, Regulation on the Administration of Toll Roads, the Regulation on Highway Safety Protection and Sichuan Expressway Regulations.

Through internal control, compliance management, business approval procedures and employee training, the Group ensures compliance with applicable laws, regulations and regulatory documents, especially those that have significant impact on our main business; the Group will notify relevant employees and operating teams from time to time of any changes in applicable laws, regulations and regulatory documents applicable to our main business.

From the Listing Date to the date of this annual report, to the best knowledge of the Directors, save as disclosed under the section headed "Progress of Land Use Rights" of this Directors' Report, the Group did not have any non-compliance with applicable laws and regulations that are significant to the Group.

RELATIONSHIP WITH STAKEHOLDERS

The Group is of the view that its employees, customers and business partners are important to its sustainable development. The Group is committed to maintaining close relationship with its employees, providing quality services to customers and strengthening the cooperation with its business partners. The Company provides a fair and safe workplace, promotes diversity of the staff, offers competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfilment in their positions.

The Group understands that customer satisfaction is critical to the Group's development. The Group created a sound driving experience for our customers by providing quality fee-based services, a safe driving environment, and beautiful highway scenery. At the same time, the monitoring centre and the road administration brigade of the Group can rush to the scene when receiving or discovering customer demand for assistance. To improve customer service level, the Group has established a customer complaint mechanism to deal with complaints promptly.

The Group is also dedicated to develop good relationship with suppliers and contractors to ensure the smooth and healthy development of the Group's business. The Group reinforces business partnerships with suppliers and contractors by ongoing communication in a proactive and effective manner to ensure quality and timely delivery.

EQUITY-LINKED AGREEMENT

No equity-linked agreement was entered into by the Company during the Reporting Period or subsisted as at the end of the Reporting Period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Article of Association and the laws of PRC which oblige the Company to offer pre-emptive rights of new shares to existing shareholders on their shareholding proportion.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in the property, plant and equipment of the Group during the Reporting Period are set out in note 12 to the financial statements of this annual report.

SERVICE CONCESSION ARRANGEMENTS

Details of changes in the service concession arrangements of the Group during the Reporting Period are set out in note 13 to the financial statements of this annual report.

EMPLOYEE AND REMUNERATION POLICIES

As at the end of the Reporting Period, the Group had an aggregate of 1,634 employees (31 December 2017: 1,635), including 1,456 front-line staff, accounting for 89% of the total; 134 general management personnel, including staff in finance, human resources and other departments, accounting for 8% of the total; and 44 middle-level department managers and above, accounting for 3% of the total.

The remuneration and benefit policies of the Group were implemented pursuant to the statutory requirements and the Management Measures for Benefits (《福利管理辦法》) of the Group. Staff remuneration and benefits, comprising wage, performance bonus and statutory and company benefits, are determined in accordance with the comprehensive appraisal results of the staff members based on the principle of "salary is determined based on position, and salary varies with position", which indicates strategies, market and performance orientation and internal and external impartiality.

DIRECTORS' REPORT

Pursuant to statutory requirements, the Group has participated in the employee retirement scheme organised by the local government authorities (social pension insurance) and the housing provident fund plan, and has adopted various protection plans such as basic medical insurance, work injury insurance, unemployment insurance and maternity insurance for its employees.

The Group's executive Directors, senior management and the employee representative Supervisor received management remuneration based on their specific management positions in the Company. Remuneration of the senior management includes fixed salary and performance bonuses, of which performance bonuses are calculated based on how the annual performance targets are met by them, and will be reviewed by the Remuneration and Evaluation Committee.

The Board determines the Company's annual operating performance targets each year and sets out clear and concrete rating criteria as the basis for year-end appraisals on the overall performance of the senior management of the Company. During the Reporting Period, the Company made allocation and assessment on eight key performance targets, namely operation results, specific tasks, reform and consolidation, operation and management, negative list, integrity, party construction and work appraisal.

Based on the operating performance targets approved by the Board, the Company will determine the annual tasks and targets for subsidiaries of all ranks, segregate and delegate the Company's objectives to the relevant enterprises and staff. Meanwhile, each subsidiary is required to sign accountability statements on operation results with the general manager of the Company. At the end of 2018, the Board and the general manager will determine the overall performance score of the Company and individual performance scores of the senior management members with reference to the state of completion of the Company's and individual performance targets, and calculate the performance bonuses for the senior management members accordingly. The remuneration of all senior management members is subject to review by the Remuneration and Evaluation Committee which need to be reported to the Board.

The Group values staff training and has established the Management Measures on Employee Training and a preliminary training system based on job competency. During the Reporting Period, the Company and its departments have organised various training sessions, which covered general management, operating management and professional skills, covering employees of all levels from front-line staff to senior management. The Group will also provide employees with comprehensive benefit plans and career development opportunities, including retirement plans, medical benefits and on-the-job training, IT training, safety training, toll calculation training and service etiquette training based on their needs.

During the Reporting Period, the relevant staff costs amounted to approximately RMB188.55 million (2017: approximately RMB162.84 million). For details, please refer to note 7 to the financial statements of this annual report.

PROGRESS OF LAND USE RIGHTS

The Company had not obtained the land use right certificates for part of the land with a site area of approximately 166,593 square meters used for the expansion project of our Chengpeng Expressway (the "Land"). The Land accounts for approximately 18.4% of the land used for this expansion project. The Land consists of (i) the one additional lane which was added next to each of the exterior lane of the pre-expansion Chengpeng Expressway for the road section between Chengmian Expressway (Parallel Line) and Chengdu No. 2 Ring Expressway; and (ii) the two additional lanes which were added next to each of the exterior lanes of the pre-expansion Chengpeng Expressway for the road section between Chengdu No. 2 Ring Expressway and the Chengdu Toll Plaza of Chengpeng Expressway.

The Group has applied for the relevant approval and certificate and has obtained confirmation letters from Chengdu Municipal Land and Resources Bureau on 29 May 2018 and 9 October 2018, which confirmed that (i) the intended use of land is in compliance with the regional planning, (ii) the application has been approved, (iii) there is no substantive impediment for the Group to complete the application, (iv) no administrative penalty had ever been issued against Chengpeng Expressway Company with respect to land use right, and (v) they will grant the land use right certificate when the administrative procedures have been completed. The Group has also obtained a confirmation letter from Sichuan Provincial Land and Resources Department on 5 June 2018, which confirmed that (i) the expansion project of Chengpeng Expressway is a key project for both Chengdu and Sichuan Province, critical to the wellbeing of local residents, and is in line with the overall land utilisation plan; and (ii) there is no substantive impediment for the Company to complete the application for land use right.

The Company originally expected to receive the land expropriation approval by the end of March 2019 and obtain the land use right certificate by the end of August 2019. As Sichuan Provincial Government and its subordinate functional departments began reform and reorganization in November 2018 in accordance with the Institutional Reform Plan of Sichuan Province and its Implementation Opinion, the progress of obtaining the land expropriation approval and the land use right certificate is therefore affected and is expected to be postponed for three to eight months. Other relevant procedures such as planning and construction with pre-conditions for approval of land use right will also be postponed. The delay in the above approval procedures does not affect the normal operation of Chengpeng Expressway.

MAJOR RISKS AND UNCERTAINTIES

The risks faced by an enterprise refer to the impact of future uncertainties on the business objectives to be achieved by the enterprise. The risks faced by the Group primarily include policy risks, market risks and financial risks and others. The Company attaches great importance to the above risks, takes the initiative to identify, evaluate and respond to the risks arising during the course of business, and will gradually establish and improve the systematic risk management mechanism.

Policy risks and the corresponding measures

Renew or extend the duration of right to operate expressway

The remaining operating period of the Group's expressways ranges from 6 years to 16 years. While the Group strives to renew or extend the operating periods of its expressways, it cannot assure that the Group will be able to obtain the necessary approval from relevant government authorities. Failure to extend the duration of our right to operate the expressways may materially and adversely affect the Group's business, results of operations and financial condition. Any adverse change to such arrangements with local governments could have a material adverse effect on the Group's financial position, results of operations and prospects.

Tolling policy

Toll rates charged by toll roads in China are set by various provincial or local government authorities. Any proposed toll rate increase requires approval by the relevant government authorities, taking into account various factors such as traffic flow, construction and operational costs of the expressways, prospective recovery periods of investment, loan repayment terms, inflation rate, management, operation and maintenance costs of the expressways and affordability to users. As an operator of expressways, the Group may from time to time apply to the relevant governmental authorities for a toll rate increase and the widening of expressways in order to meet the desired rate of return on our investments. However, the Group cannot assure that the governmental authorities will approve such application in a timely manner, or at all. Further, the Group cannot assure that the governmental authorities will not at any time request a toll rate reduction. If the governmental authorities do not approve a request by the Group to increase the toll rates in a timely manner, or at all, or request a toll rate reduction or exemption, the Group's business and results of operations may be materially and adversely affected.

In addition, pursuant to the *Sichuan Province Management Regulation on Linking Expressway Toll Rates with Quality of Construction and Services* (《四川省高速公路車輛通行費收費標準與工程和服務質量掛鉤管理辦法》) jointly promulgated by the Department of Transportation of Sichuan Province, Sichuan Provincial Development and Reform Commission and Finance Department of Sichuan Province, effective from 1 April 2016, toll rates of expressways located in Sichuan province will be subject to annual adjustments based on an evaluation of an expressway's construction and services quality. For expressways that are currently in operation, if the service quality score of the expressway falls below 85 points or if major accidents have occurred on the expressway due to improper expressway management, the toll rates of such expressway will be lowered by 5% in the following year. The Group cannot assure that its toll rates will not be lowered in the future, which may have a material adverse effect on the revenue and results of operations of the Group.

Further, the "Classification of Vehicle on Toll Roads" (Transportation Industry Standard JT/T489-2003) (《收費公路車輛通行費車型分類》(交通行業標準JT/T489-2003)) issued by the Minister of Transport and effective on 1 October 2003, provides that passenger vehicles shall be classified by the number of passenger seats while trucks shall be classified by tonnage. Although vehicle classification standards have been adjusted by the competent authorities from time to time and such adjustments have not affected the Group's toll income significantly, there can be no assurance that any future guidelines, notices or changes of the government policies relating to transportation and logistics will not adversely affect the business, results of operations, financial conditions and prospects of the Group. In addition, certain vehicles are exempted from toll payment pursuant to the Regulations on the Administration of Toll Roads (《收費公路管理條例》), the Notice of the State Council on the Approval and Forwarding of the Implementation of the Toll-Free Policy on Small Passenger Vehicles on Major Festivals and Holidays Promulgated by the Ministry of Transport and Other Departments (《國務院關於批轉交通運輸部等部門重大節假日免收小型客車通行費實施方案的通知》) (the "Holiday Toll-Free Policy") and the Urgent Notice on Further Improving Policies for Green Passage of Live Agricultural Products (《關於進一步完善鮮活農產品運輸綠色通道政策的緊急通知》). There can be no assurance that the relevant government authorities will not implement toll discount or toll-free policies and any other policies in relation to tolls or toll rates in the future, which may adversely affect the Group's business, results of operations, financial conditions and prospects.

Corresponding measures

For policy risks, on one hand, the Company will strengthen communication with and report to the competent governmental departments to seek the government's support; on the other hand, the Company will strengthen its corporate strengths to improve its risk resistance ability. To this end, the Company will take measures such as making investments in new projects with good development potential to promote the continuous growth of the assets scale and operating performance of the Group.

Market risks and response measures

Impact of decline in traffic volume

Revenue from expressways of the Group primarily depends on the number of vehicles on its expressways. Traffic volume is directly and indirectly affected by a number of factors, including: toll rates, fuel prices, vehicle prices and the cost of owning and operating vehicles, mix between different vehicle classes using the expressways of the Group, capacity constraints on the number of vehicles and the mix of different vehicle classes that can efficiently use its expressways in any given period, occurrence of accidents, road closures or restricted access caused by upgrade, expansion and repair projects undertaken, and changes in laws, regulations and policies, etc.

The traffic volume on a given toll road is also influenced by the extent of its connectivity with other local and national route networks. Future changes in the route system and network in Sichuan Province may adversely affect the traffic volume on the expressways of the Company. Any decline in traffic volume may adversely affect the Group's revenue and earnings.

Impact of competing roads and alternative forms of transportation

The Group's results of operations may be affected by competition from the following sources: existing competing roads and bridges of a comparable quality, the expanding high speed train network and the planning and development of subways and inter-city light rail systems, and new competing expressways which may or may not have lower toll rates.

DIRECTORS' REPORT

Alternative forms of transportation may provide travellers with more comfortable and convenient transportation services. The Group cannot assure that it will be able to maintain or improve the road conditions of its expressways in order to compete with existing and new forms of transportation. In the event there are changes to passenger and transportation patterns, resulting in a decrease in the overall traffic volumes on the expressways of the Group, the Group's business, financial position and results of operations could be affected.

Highways in the Chengdu metropolitan area that currently compete with the expressways of the Group include Chengqing Freeway (成青快速通道), Chengmian Expressway (成綿高速公路), Chengya Expressway (成雅高速公路), Chengwenqiong Highway (成溫邛快速通道) and Chengqingjin Freeway (成青金快速通道). In addition, Chengdu Economic Zone Ring Expressway (成都經濟區環線（三繞）高速), which is currently under construction, may potentially compete with Chengguan Expressway and Chengpeng Expressway in the future. Therefore, the Group cannot assume that the traffic volumes of the expressways belonged by the Group will maintain the same standard or increase such in the future, nor can the Group assure that the revenue and profit of the Group will not be adversely affected.

Corresponding Measures

For market risks, the Company will strengthen the communications with the government and the peers, to timely understand road network planning, project construction progress and subsequent planning adjustment, and carry out network research and analysis in advance, so as to accurately keep on track of the traffic trends to ensure accuracy of operation and development strategic decisions of the Company.

Financial risks and corresponding measures

Net current liabilities may adversely affect business operation

As at the end of the Reporting Period, the Group had net current liabilities of RMB98.2 million. In addition, during the Reporting Period, the Group had net operating cash inflow of RMB161.4 million. If determining that its cash demands exceed cash on hand, the Group may seek to issue debt or equity securities or obtain a credit facility. The Group cannot assure that it would be able to obtain debt or equity financing in the current economic environment. In addition, any issuance of equity or equity-linked securities could dilute the Shareholders of the Group, while any incurrence of indebtedness could increase the Group's debt service obligations and cause the Group to be subject to restrictive operating and finance covenants. If having no sufficient working capital and unable to generate sufficient revenues or raise additional funds, the Group may delay the completion of or significantly reduce the scope of its current business plan or substantially curtail its operations, any of which could materially and adversely affect its business, financial condition and results of operations.

Changes in interest rates will affect finance costs and, ultimately, the results of operations of the Group.

As at the end of the Reporting Period, the Group had total borrowings of approximately RMB1,553.5 million and a gearing ratio (being total liabilities divided by total assets) of 52.6%. It has not been the Group's policy to hedge against movements in interest rates. The Group's interest rate risk mainly relates to cash deposits and long-term bank loans and other borrowings of the Group. Changes in interest rates in the PRC have affected and will continue to affect the finance costs and, ultimately, results of operations of the Group.

For risks and uncertainties in other financial aspects of the Group, please refer to notes 3 and 32 to the financial statements of this annual report.

Corresponding measures

In view of the financing risks, the Company has adopted the following risk control measures, including: (1) ensure the establishment of strategic cooperative partnership with domestic and foreign financial institutions through long-term stable cooperation; (2) appoint intermediaries when necessary to provide professional advice on the Company's financing decisions and implementation of financing programs; and (3) investments in new projects with good development potential and other measures, to promote the continuous growth of the asset scale and operating performance of the Group and attract more investment and financing programs.

SUBSEQUENT EVENTS

On 15 January 2019, the 400,000,000 H Shares issued by the Company at HK$2.20 per H Share under Global Offering were listed and traded on the Main Board of the Stock Exchange.

On 4 February 2019, the over-allotment option described in the Prospectus was partially exercised by the sole representative, on behalf of the international underwriters, in respect of an aggregate of 56,102,000 H Shares, which were issued and allotted by the Company at HK$2.20 per H Share. After the completion of the partial exercise of the over-allotment option, the registered share capital of the Company is RMB1,656,102,000, and the total number of Shares is 1,656,102,000. Such over-allotment Shares were listed and traded on the Main Board of the Stock Exchange on 12 February 2019. For details, please refer to the announcement of the Company dated 8 February 2019.

On 11 March 2019, all independent non-executive Directors of the Company resolved that the Company would not participate in the project of Jingkun Expressway Expansion from Mianyang to Chengdu, Expressway from Mianyang to Cangxi and Expressway from Cangxi to Bazhong the bid of which was won by Chengdu Communications and three other companies, provided that the Company at all times reserves the acquisition options, right of first refusal and other rights under the non-competition agreement. For details, please refer to the announcement of the Company dated 11 March 2019.

On 27 March 2019, the Board amended the articles of association of the Company under the authorisation from the general meetings of the Company to reflect the changes of the registered share capital and the share structure of the Company after the partial exercise of the over-allotment option. For details, please refer to the announcement of the Company dated 27 March 2019.

DIRECTORS' REPORT

DONATIONS

During the Reporting Period, the Group made donations amounting to RMB19,063.98.

INDEPENDENT AUDITOR

Ernst & Young has been appointed by the Company as the international auditor of the year 2018. The financial statements of the year 2018 prepared in accordance with International Financial Reporting Standards have been audited by Ernst & Young, which has issued an audit report with unqualified opinions.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee of the Company has discussed with the management and reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2018.

The other sections, reports or notes to this report mentioned above form part of this Directors' Report.

By order of the Board
Chengdu Expressway Co., Ltd.
Xiao Jun
Chairman
Chengdu, the PRC, 27 March 2019

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Chengdu Expressway Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Chengdu Expressway Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 76 to 146, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board (the "IAASB"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Amortisation of service concession arrangements	
As stated in Note 2.3, the amortisation of service concession arrangements is provided on a unit-of-usage basis, based on the share of traffic volume in a particular period over the total projected traffic volume throughout the service concession period. The projection of the total traffic volume involves significant management judgement and estimates, including the expected gross domestic product (the "GDP") growth rate and the impact of other road network within the same area. Management initially engaged independent professional traffic consultants to perform estimation of the projected total traffic volume throughout the concession periods of the respective service concession arrangements. Subsequently, the Group regularly review the projected total traffic volume throughout the concession periods of the respective service concession arrangements with the actual traffic volume. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustment will be made should there be a material change in the projected total traffic volume. The accounting policies and disclosures about assessment for amortisation of costs of service concession arrangements are included in Note 2.3, Note 3 and Note 13 to the financial statements.	Our audit procedures include the following: • We interviewed the Group's senior management and understood their process associated with the review of the projected traffic volume against actual traffic volume; • For new independent professional traffic studies issued during the year, we assessed the competence, capabilities and objectivity of external experts involved in the estimation process; • We evaluated the estimated projected total traffic volume of the Group's expressways and assessed whether these estimates showed any evidence of management bias; • We focused our analysis on management's key assumptions used in the estimates of the projected total traffic volume such as the GDP growth rate, the impact of other road network within the same area, the historical accuracy of management's estimates and assessing the consistency of assumptions across expressways; • We considered whether the amortisation methodology adopted by the Group best represented the expected future economic benefits of the Group; and • We assessed the adequacy of the related disclosures in the financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lai Chee Kong.

Ernst & Young
Certified Public Accountants
Hong Kong
27 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	*5*	**1,830,227**	1,784,298
Cost of sales		**(1,236,013)**	(1,285,629)
Gross profit		**594,214**	498,669
Other income and gains	*5*	**33,743**	29,591
Administrative expenses		**(53,587)**	(46,978)
Other expenses		**(1,518)**	(2,590)
Interest expenses	*6*	**(71,701)**	(72,112)
Share of profits of an associate		**21,916**	21,798
PROFIT BEFORE TAX	*7*	**523,067**	428,378
Income tax expense	*9*	**(77,025)**	(60,588)
PROFIT FOR THE YEAR		**446,042**	367,790
Other comprehensive income		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**446,042**	367,790
Attributable to:			
Owners of the Company		**415,488**	338,916
Non-controlling interests		**30,554**	28,874
		446,042	367,790
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic and diluted	*10*	**RMB0.346**	RMB0.282

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**256,348**	136,915
Service concession arrangements	13	**3,334,730**	3,460,563
Software		**333**	642
Investment in an associate	14	**126,141**	123,728
Financial assets at fair value through profit or loss		**500**	500
Long-term receivable	17	**230,247**	–
Deferred tax assets	15	**336**	5,965
Total non-current assets		**3,948,635**	3,728,313
CURRENT ASSETS			
Trade receivables	16	**32,664**	32,396
Prepayments, deposits and other receivables	17	**254,262**	13,418
Cash and cash equivalents	18	**958,615**	1,139,951
Total current assets		**1,245,541**	1,185,765
CURRENT LIABILITIES			
Tax payable		**12,032**	20,362
Trade payables	19	**1,006,227**	749,686
Other payables and accruals	20	**100,471**	160,449
Interest-bearing bank and other borrowings	21	**225,000**	245,000
Total current liabilities		**1,343,730**	1,175,497
NET CURRENT ASSETS/(LIABILITIES)	2.1	**(98,189)**	10,268
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,850,446**	3,738,581
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	21	**1,328,500**	1,210,500
Deferred income	20	**54,072**	258,134
Deferred tax liabilities	15	**3,496**	2,839
Total non-current liabilities		**1,386,068**	1,471,473
Net assets		**2,464,378**	2,267,108

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*22*	**1,200,000**	1,200,000
Reserves	*23*	**1,129,411**	935,914
		2,329,411	2,135,914
Non-controlling interests		**134,967**	131,194
Total equity		**2,464,378**	2,267,108

Xiao Jun
Director

Tang Fawei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to owners of the Company								
	Issued capital *RMB'000* *(note 22)*	**Capital reserve** *RMB'000* *(note 23(a))*	**Statutory reserve** *RMB'000* *(note 23(b))*	**Difference arising from changes in non-controlling interests** *RMB'000*	**Other reserve** *RMB'000* *(note 23(c))*	**Retained earnings** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2017	1,200,000	101,047	19,589	–	121,818	156,618	1,599,072	455,390	2,054,462
Total comprehensive income for the year	–	–	–	–	–	338,916	338,916	28,874	367,790
Dividends paid by subsidiaries to their non-controlling shareholders	–	–	–	–	–	–	–	(38,237)	(38,237)
Acquisition of a non-controlling interest	–	–	–	315,670	–	–	315,670	(315,670)	–
Transfer from retained earnings	–	–	42,023	–	–	(42,023)	–	–	–
Deemed partial disposal of an interest in a subsidiary	–	–	–	(837)	–	–	(837)	837	–
Dividends declared by the Company	–	–	–	–	–	(116,907)	(116,907)	–	(116,907)
At 31 December 2017 and 1 January 2018	**1,200,000**	**101,047***	**61,612***	**314,833***	**121,818***	**336,604***	**2,135,914**	**131,194**	**2,267,108**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**415,488**	**415,488**	**30,554**	**446,042**
Dividends paid by subsidiaries to their non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(26,781)**	**(26,781)**
Transfer from retained earnings	**–**	**–**	**39,092**	**–**	**–**	**(39,092)**	**–**	**–**	**–**
Dividends declared by the Company	**–**	**–**	**–**	**–**	**–**	**(221,991)**	**(221,991)**	**–**	**(221,991)**
At 31 December 2018	**1,200,000**	**101,047***	**100,704***	**314,833***	**121,818***	**491,009***	**2,329,411**	**134,967**	**2,464,378**

* These reserve accounts comprise the consolidated reserves of RMB1,129,411,000 (2017: RMB935,914,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOW

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**523,067**	428,378
Adjustments for:			
Depreciation	7	**18,266**	16,769
Amortisation of service concession arrangements	7	**145,463**	116,425
Amortisation of software	7	**410**	115
Impairment loss on other receivables	7	**–**	1,414
Loss on disposal and write-off of items of property, plant and equipment	7	**30**	125
Share of profits of an associate		**(21,916)**	(21,798)
Interest income from a long-term receivable	5	**(5,548)**	–
Interest expenses	6	**71,701**	72,112
Bank interest income	5	**(10,820)**	(10,753)
		720,653	602,787
Additions to service concession arrangements		**(842,992)**	(943,685)
Receipts of government grants		**200,000**	200,000
Increase in trade receivables		**(268)**	(17,364)
Increase in other receivables		**(40,277)**	(5,362)
Increase in trade payables		**256,541**	567,232
Increase/(decrease) in other payables and accruals		**(63,439)**	9,260
Cash generated from operations		**230,218**	412,868
Interest received from banks		**10,253**	10,753
Income tax paid		**(79,069)**	(70,409)
Net cash flows from operating activities		**161,402**	353,212
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment and software		**(137,904)**	(27,425)
Increase in time deposits with original maturity of over three months		**(80,000)**	–
Proceeds from disposal of items of property, plant and equipment		**74**	2
Dividend received from an associate		**19,503**	15,603
Repayment of loans from related parties		**–**	55,790
Net cash flows from/(used in) investing activities		**(198,327)**	43,970

CONSOLIDATED STATEMENT OF CASH FLOW

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loans		**403,000**	110,000
Repayment of bank loans		**(205,000)**	(155,000)
Repayment of other borrowings		**(100,000)**	(110,909)
Repayment of an interest-free loan granted by the ultimate controlling shareholder		**–**	(375,000)
Dividends paid to owners of the Company		**(221,991)**	(116,907)
Dividends paid by subsidiaries to their non-controlling shareholders		**(26,781)**	(38,237)
Interest paid		**(73,639)**	(72,558)
Net cash flows used in financing activities		**(224,411)**	(758,611)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(261,336)**	(361,429)
Cash and cash equivalents at beginning of year		**1,139,951**	1,501,380
CASH AND CASH EQUIVALENTS AT END OF YEAR		**878,615**	1,139,951
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	18	**958,615**	1,139,951
Time deposits with original maturity of over three months		**(80,000)**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		**878,615**	1,139,951

NOTES TO FINANCIAL STATEMENTS

31 December 2018

1. CORPORATE AND GROUP INFORMATION

Chengdu Expressway Co., Ltd. (the "Company") is a joint stock company with limited liability established in the People's Republic of China (the "PRC"). The Company's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 15 January 2019.

The registered office of the Company is located at 1 Kexin Road, High-Tech Zone, Chengdu, Sichuan, the PRC. The principal place of business of the Company in Hong Kong is located at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries ("Group") were involved in the management and operation of expressways in Mainland China.

In the opinion of the directors of the Company ("Directors"), the parent company of the Company is Chengdu Expressway Construction and Development Co., Ltd. ("Chengdu Expressway Construction"), a company established in Chengdu, Sichuan Province, the PRC. The ultimate controlling shareholder of the Company is Chengdu Communications Investment Group Co., Ltd. ("Chengdu Communications"), which is wholly owned by the State-owned Assets Supervision and Administration Commission of Chengdu Municipal Government.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of establishment	Nominal value of issued ordinary capital	Percentage of equity attributable to the Company	Principal activities
Chengdu Chengpeng Expressway Company Limited (成都成彭高速公路有限責任公司) ("Chengpeng Expressway Company")	PRC 11 September 2002	RMB149 million	99.33%	Operation of Chengpeng Expressway
Chengdu Chengwenqiong Expressway Company Limited (成都成溫邛高速公路有限公司) ("Chengwenqiong Expressway Company")	PRC 16 October 2002	RMB554.49 million	100.00%	Operation of Chengwenqiong Expressway
Chengdu Airport Expressway Company Limited (成都機場高速公路有限責任公司) ("Chengdu Airport Expressway Company")	PRC 24 December 1997	RMB153.75 million	55.00%	Operation of Chengdu Airport Expressway

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to nearest thousand except when otherwise indicated.

All IFRSs effective for the accounting period commencing from 1 January 2018, including IFRS 15 and IFRS 9, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the financial statements throughout the financial years ended 31 December 2017 and 2018.

Going concern basis

As at 31 December 2018, the Group's current liabilities exceeded its current assets by RMB98,189,000, primarily due to the expenditure incurred on the expansion project of Chengpeng Expressway. As at 31 December 2018, total payables in relation to the expansion project of Chengpeng Expressway amounted to RMB924,450,000.

In view of the net current liabilities position, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. As at 31 December 2018, based on the arrangements entered into with the licensed banks in Mainland China, the undrawn banking facilities amounting to RMB1,358,700,000, of which RMB1,128,700,000 has been earmarked for the expansion project of Chengpeng Expressway and are available for withdrawal before July 2020, and RMB230,000,000 of the undraw banking facilities are available for withdrawal before April 2021 for the refinancing of an existing loan by Chengwenqiong Expressway Company. Having considered the cash flows from operations and its available resource of finance, the Directors are of the opinion that the Group is able to meet in full its financial obligations as they fall due in the foreseeable future and it is appropriate to prepare the financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2018. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but is available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

IFRS 16, replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt IFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of IFRS 16. The Group has estimated that right-of-use assets of RMB36,627,000 and lease liabilities of RMB34,725,000 will be recognised at 1 January 2019.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's investment in an associate.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Merger accounting for business combinations under common control

The consolidated financial statements include the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling parties.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or paid to transfer a liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in these financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in these financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value of 5% over its estimated useful life. The estimated useful lives of items of property, plant and equipment are as follows:

	Useful lives
Buildings	15 – 40 years
Security equipment	5 – 15 years
Supervising equipment and others	5 – 15 years
Toll collection equipment	5 – 10 years
Motor vehicles	3 – 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Service concession arrangements

Service concession arrangements represent the rights to charge users of the public service, that the Group obtained under the service concession arrangements. Service concession arrangements are stated at cost, that is, the fair value of the consideration received or receivable in exchange for the construction services provided under the service concession arrangements, less accumulated amortisation and any impairment losses.

During the construction phase of the arrangement, the operator's contract asset (representing its accumulating right to be paid for providing construction services) is presented as an intangible asset.

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31 December 2018

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Service concession arrangements *(continued)*

Subsequent expenditures such as repairs and maintenance are charged to profit or loss in the period in which they are incurred. In situations where the recognition criteria are satisfied, the expenditures are capitalised as an additional cost of service concession arrangements.

The amortisation of service concession arrangements is provided on a unit-of-usage basis to write off the costs of these arrangements, based on the share of traffic volume in a particular period over the projected total traffic volume throughout the periods for which the Group is granted to operate those service concession arrangements.

It is the Group's policy to review regularly the projected total traffic volume throughout the concession periods of the respective service concession arrangements. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustment will be made should there be a material change in the projected total traffic volume.

Costs incurred during the period of construction of underlying assets of a service concession arrangement are recorded in the service concession arrangement and will be amortised upon the commencement of operation of the service concession arrangement.

Particulars of the expressways managed and operated by the Group as at 31 December 2018 are as follows:

	Origin/destination	**Approximate length** *(km)*	**Concession periods**
Chengguan Expressway	Chengdu Hi-Tech Zone/ Dujiangyan	40.44	July 2000 – July 2030
Chengwenqiong Expressway	Qingyang District/ Qionglai County	65.60	January 2005 – January 2035
Chengpeng Expressway	Xindu District/Pengzhou	21.32	November 2004 – October 2033
Chengdu Airport Expressway	Chengdu South Railway Station Viaduct/Shuangliu Airport Terminal 1	11.98	July 1999 – December 2024

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of five years.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primary derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

General approach (continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, an amount due to a related party and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of loans and borrowings and payables is as follows:

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "Interest expenses" in profit or loss.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers (continued)

(a) Provision of road operation services

Revenue from the provision of road operation services is recognised at a point of time when the relevant services have been provided and the Group received the payment or the right to receive payment has been established.

(b) Provision of the construction and upgrade services

Revenue from construction and upgrade services provided under the service concession arrangements is recognised over time, on the input method, as further explained in the accounting policy for "Construction and upgrade services under service concession arrangements" below;

Other Income

(a) Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

(b) Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably; and

(c) Rental income is recognised on a time proportion basis over the lease terms.

Construction and upgrade services under service concession arrangements

The Group recognises income and expenses associated with construction and upgrade services provided under the service concession arrangements in accordance with IFRS 15 *Revenue from Contracts with Customers*.

Revenue generated from construction and upgrade services rendered by the Group is measured at fair value of the consideration received or receivable. The consideration represents the rights to attain an intangible asset.

The Group uses the input method to determine the appropriate amount of income and expenses to be recognised in a given period, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The stage of completion is measured by reference to the construction costs of the related infrastructure incurred up to the end of the reporting period as a percentage of the total estimated costs for each contract.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation or amortisation charge.

Employee benefits

Defined contribution pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of the relevant part of their payroll costs of these employees to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Supplementary defined contribution pension scheme

Under the supplementary defined contribution pension scheme, the Group makes a monthly defined contribution to certain qualified employees at certain rates of the qualified employees' salaries or wages of the prior year. There were no vested benefits attributable to past services upon the adoption of the plan. The contributions under the supplementary defined contribution pension scheme are charged to profit or loss as incurred.

Housing fund

According to the relevant rules and regulations of the Sichuan Province, the Group and its employees are each required to make contributions, which are in proportion to the employees' salaries or wages of the prior year, to a housing fund. Contributions to a housing fund administered by the Public Accumulation Funds Administration Centre are charged to profit or loss as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed dividends are disclosed in the notes to the financial statements.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in these financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) Provision for expected losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer profile).

3. SIGNIFICANT ACCOUNTING ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

(a) Provision for expected losses on trade receivables (continued)

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 16 to the financial statements.

(b) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(c) Amortisation of costs of service concession arrangements

The amortisation of costs of service concession arrangements is calculated under the unit-of-usage method, whereby the amortisation is provided based on the share of traffic volume in a particular period over the projected total traffic volume throughout the periods for which the Group is granted to operate those service concession arrangements. The projected total traffic volume over the respective concession periods could change significantly. The Group reviews regularly the projected total traffic volume throughout the operating periods of the respective service concession arrangements. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustment will be made should there be a material change in the projected total traffic volume. Further details are included in note 13 to the financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

(d) Measuring progress of construction and upgrade services provided under service concession arrangements

The Group recognises revenue and cost associated with construction and upgrade services provided under service concession arrangements and construction contracts in accordance with IFRS 15 *Revenue from Contracts with Customers*. The Group recognises construction revenue under service concession arrangements and construction contracts on the basis of the costs incurred to satisfy the performance obligation relative to the total expected costs incurred to the satisfaction of that performance obligation of individual contracts of construction and upgrade service work, which requires estimation to be made by management. The total expected costs and the corresponding contract revenue are estimated by management. Due to the nature of the activity undertaken in construction contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses.

(e) PRC corporate income tax ("CIT")

The Group is subject to CIT in Mainland China. As a result of the fact that certain matters relating to CIT have not been confirmed by the relevant local tax authorities, objective estimates based on currently enacted tax laws, regulations and other related policies are required in determining the provision for CIT to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the income tax expense and tax provision in the period in which the differences are realised.

(f) Provision for maintenance and resurfacing obligations

Provisions for the maintenance and resurfacing of the toll roads are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The expenditures expected to incur in order to settle the obligations are determined based on the frequency of major maintenance and resurfacing activities throughout the operating periods of toll roads operated by the Group under the service concessions and the expected costs to be incurred for each event. The expected costs for maintenance and resurfacing and the timing of such events involve estimates. Such estimates are developed based on the Group's resurfacing plan and historical costs incurred for similar activities. The costs are then discounted to the present value based on the market rate which can reflect the time value of money and the risks specific to the obligation.

As all the expressways of the Group meet the obligation to maintain the toll road infrastructure to a specified level of serviceability under the service concessions, there was no provision for maintenance and resurfacing obligations at 31 December 2018 (2017: Nil).

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31 December 2018

4. OPERATING SEGMENT INFORMATION

The Group's revenue and contribution to consolidated results are mainly derived from the management and operation of expressways, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's Directors for purposes of resource arrangement and performance assessment. In addition, all the assets employed by the Group are located in Mainland China. Accordingly, no operating segment information is presented, other than the entity-wide disclosures.

Entity-wide disclosures

Geographical information

All of the Group's external revenue is derived from customers based in Mainland China, and all of the non-current assets of the Group are located in Mainland China. Accordingly, no segment information by geographical segment is presented.

Information about major customers

During the year ended 31 December 2018, revenue of approximately RMB844,329,000 (2017: RMB943,920,000), which accounted for more than 10% of the Group's revenue, was derived from providing construction services to the service concession grantors which are known to be under common control of the Sichuan Provincial People's Government.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018 ***RMB'000***	2017 *RMB'000*
Revenue from contracts with customers		
Toll income		
– Chengguan Expressway	**330,542**	310,882
– Chengpeng Expressway	**113,154**	66,537
– Chengwenqiong Expressway	**398,093**	320,333
– Chengdu Airport Expressway	**144,109**	142,626
Sub-total	**985,898**	840,378
Construction revenue in respect of service concession arrangements	**844,329**	943,920
	1,830,227	1,784,298

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

	2018	2017
	RMB'000	*RMB'000*
Type of revenue		
Toll income	**985,898**	840,378
Construction services	**844,329**	943,920
Total revenue from contracts with customers	**1,830,227**	1,784,298

	2018	2017
	RMB'000	*RMB'000*
Timing of revenue recognition		
At a point in time	**985,898**	840,378
Over time	**844,329**	943,920
Total revenue from contracts with customers	**1,830,227**	1,784,298

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Toll income

Toll income is recognised at a point in time when the relevant services have been provided and the Group received the payment or the right to receive payment has been established. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Construction revenue in respect of service concession arrangements

The performance obligation is satisfied over time as construction services are rendered when the Group's performance creates and enhances an asset that the customer controls where the construction and upgrade services performed.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2017 were amounted to RMB844,329,000, of which all performance obligations are expected to be recognised within one year.

There were no unsatisfied or partially unsatisfied performance obligations as at 31 December 2018.

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

An analysis of other income and gains is as follows:

	2018	2017
	RMB'000	*RMB'000*
Other income and gains		
Interest income from a long-term receivable	**5,548**	–
Bank interest income	**10,820**	10,753
Compensation income for road damage	**2,656**	3,320
Rental income	**9,371**	9,884
Deferred income released to profit or loss	**4,062**	4,062
Miscellaneous	**1,286**	1,572
Other income and gains	**33,743**	29,591
Total revenue, other income and gains	**1,863,970**	1,813,889

6. INTEREST EXPENSES

An analysis of interest expenses is as follows:

	2018	2017
	RMB'000	*RMB'000*
Interest expenses on bank loans and other borrowings	**73,038**	72,347
Less: Interest capitalised *(note 13(c))*	**(1,337)**	(235)
	71,701	72,112
Interest rate of borrowing costs capitalised	**4.75%**	4.75%

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2018 RMB'000	2017 RMB'000
Cost of operating service		**391,684**	341,709
Construction costs in respect of service concession arrangements		**844,329**	943,920
Cost of sales		**1,236,013**	1,285,629
Employee benefit expense (including Directors' and supervisors' remuneration *(note 8)*):			
Wages, salaries and allowances, social security and benefits		**135,930**	122,230
Pension scheme contributions (Defined contribution fund)		**23,294**	17,606
Other staff benefits		**29,324**	23,007
		188,548	162,843
Depreciation	*12*	**18,266**	16,769
Amortisation in respect of:			
– service concession arrangements	*13*	**145,463**	116,425
– software		**410**	115
Listing fees expensed off		**1,891**	1,871
Loss on disposal and write-off of items of property, plant and equipment		**30**	125
Impairment loss on other receivables		**–**	1,414
Auditor's remuneration		**1,100**	–
Minimum lease payments under operating leases of land and office		**3,803**	3,608
Bank Interest income	*5*	**(10,820)**	(10,753)

8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and supervisors' remuneration

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Rules Governing The Listing of Securities on the Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Fees	**480**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**1,925**	1,371
Pension scheme contributions	**245**	175
	2,650	1,546

8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

(a) Directors' and supervisors' remuneration *(continued)*

The names of the directors and supervisors and their remuneration during the year are as follows:

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2018				
Executive directors:				
Mr. Tang Fawei	–	278	40	318
Ms. Wang Xiao	–	357	41	398
Mr. Luo Dan	–	359	39	398
Mr. Zhang Dongmin *(note i)*	–	245	33	278
	–	1,239	153	1,392
Non-executive Directors:				
Mr. Xiao Jun	–	–	–	–
Mr. Yang Bin *(note ii)*	–	219	31	250
	–	219	31	250
Independent non-executive directors:				
Mr. Shu Wa Tung, Laurence	300	–	–	300
Mr. Ye Yong	60	–	–	60
Mr. Li Yuanfu	120	–	–	120
	480	–	–	480
Supervisors:				
Ms. Wu Haiyan	–	–	–	–
Mr. Pan Xin	–	–	–	–
Ms. Xu Jingxian	–	194	27	221
Mr. Zhang Jian	–	273	34	307
Ms. Jiang Yan *(note ii)*	–	–	–	–
	–	467	61	528
	480	1,925	245	2,650

8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

(a) Directors' and supervisors' remuneration *(continued)*

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2017				
Executive directors:				
Mr. Tang Fawei	–	357	37	394
Ms. Wang Xiao	–	386	49	435
Mr. Luo Dan	–	259	33	292
	–	1,002	119	1,121
Non-executive Directors:				
Mr. Xiao Jun	–	–	–	–
Mr. Zhang Bin *(note ii)*	–	–	–	–
Mr. Wu Jiamao *(note ii)*	–	–	–	–
	–	–	–	–
Independent non-executive directors:				
Mr. Shu Wa Tung, Laurence	–	–	–	–
Mr. Ye Yong	–	–	–	–
Mr. Li Yuanfu	–	–	–	–
	–	–	–	–
Supervisors:				
Ms. Wu Haiyan	–	–	–	–
Mr. Zeng Xianyun *(note ii)*	–	–	–	–
Mr. Pan Xin	–	–	–	–
Ms. Xu Jingxian	–	209	30	239
Mr. Zhang Jian	–	160	26	186
	–	369	56	425
	–	1,371	175	1,546

Notes:

(i) Mr Zhang Dongmin was appointed as an executive director on 6 June 2018.

(ii) Mr Yangbin and Ms. Jiangyan were appointed as a non-executive Director and as a supervisor, respectively on 9 May 2018. Messrs. Zhang Bin and Wu Jiamao resigned as a non-executive Director, and Mr. Zeng Xianyun resigned as a supervisor of the Group on 9 May 2018.

8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

(a) Directors' and supervisors' remuneration *(continued)*

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year. No emoluments were paid by the Group to any of the Directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Five highest paid employees

An analysis of the headcounts of the five highest paid employees within the Group for the two years ended 31 December 2018 and 2017 is as follows:

	Number of employees	
	2018	2017
Directors	**2**	2
Supervisors	**–**	–
Non-director and non-supervisor	**3**	3
	5	5

Details of the Directors' and supervisors' remuneration are set out above.

Details of the remuneration of the above non-director, non-chief executive and non-supervisor, highest paid employees are as follows:

	2018	2017
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**1,138**	1,002
Pension scheme contributions	**120**	121
	1,258	1,123

Remunerations of the above non-director, non-chief executive and non-supervisor, highest paid employees during the year and prior year were below HK$1,000,000.

9. INCOME TAX

No Hong Kong profits tax has been provided as no assessable profits were earned in or derived from Hong Kong during the year.

Except for Chengpeng Expressway Company as further described below, the Company and its subsidiaries and associate were entitled to a preferential tax rate of 15% during the year. Pursuant to the Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies of the State Administration of Taxation, the Ministry of Finance and General Administration of Customs (Cai Shui [2011] No. 58) (the "Circular"), the tax preferential treatments for the Western Region Development are valid until 2020. According to the Circular, "from 1 January 2011 to 31 December 2020, corporate income tax may be levied at a reduced tax rate of 15% for enterprises established in the western region and engaged in encouraged industries. The above-mentioned industries shall refer to enterprises whose principal businesses are the industrial projects prescribed in the Catalogue of Encouraged Industries in the Western Region (the "Catalogue") approved by the State Council, and shall be implemented as of 1 October 2014 and Revised Catalogue of Encouraged Industries in the Western Region approved by the State Council, and shall be implemented as of 28 July 2017, the income from which accounts for more than 70% of the total income of such enterprises."

For entities within the scope of the transportation industry, i.e., the Company, Chengwenqiong Expressway Company and Chengdu Airport Expressway Company and Chengdu Chengbei Exit Expressway Co., Ltd. ("Chengbei Exit Expressway Company"), an associate of the Company, which have been approved to enjoy the preferential tax rate of 15% before 2012, as they have not changed their business operations and eligible revenue that falls within the scope accounting for more than 70% of their respective total revenue, income tax of these entities for the year continued to be calculated at a tax rate of 15%.

During the year, the Directors considered that the eligible revenue derived by Chengpeng Expressway Company has not exceeded 70% of its total revenue due to the government grant received related to the expansion project of Chengpeng Expressway, and the provision for income tax expense of Chengpeng Expressway Company during the year was calculated at the CIT rate of 25%.

The major components of income tax expense for the year are as follows:

	2018	2017
	RMB'000	*RMB'000*
Current – Mainland China charge for the year	**70,739**	58,302
Deferred *(note 15)*	**6,286**	2,286
Total tax charge for the year	**77,025**	60,588

9. INCOME TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory tax rate in Mainland China for companies within the Group to the tax expense at the effective tax rate is as follows:

	2018	2017
	RMB'000	*RMB'000*
Profit before tax	**523,067**	428,378
Income tax charge at the statutory tax rate of 25%	**130,767**	107,095
Effect of preferential income tax rate of 15%	**(49,112)**	(41,703)
Expenses not deductible for tax	**44**	13
Effect on opening deferred tax due to change in tax rate	**–**	(1,547)
Income not subject to tax	**(1,387)**	–
Profit attributable to an associate	**(3,287)**	(3,270)
Tax charge at the Group's effective tax rate	**77,025**	60,588

The above share of tax attributable to an associate amounting to RMB3,868,000 (2017: RMB3,847,000) is included in "Share of profits of an associate" in profit or loss.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company, and the number of ordinary shares of 1,200,000,000 (2017: 1,200,000,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2018 and 2017 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

11. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Proposed final – RMB0.13 per ordinary share	**215,293**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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12. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Security equipment *RMB'000*	Supervising equipment and others *RMB'000*	Toll collection equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2018							
Cost:							
At 1 January 2018	**23,688**	**165,523**	**123,445**	**220,865**	**34,174**	**7,772**	**575,467**
Additions	**–**	**31,030**	**68,715**	**22,055**	**460**	**15,543**	**137,803**
Disposals and write-off	**–**	**–**	**(389)**	**(207)**	**(278)**	**–**	**(874)**
Transferred	**319**	**–**	**8,469**	**9,556**	**–**	**(18,344)**	**–**
At 31 December 2018	**24,007**	**196,553**	**200,240**	**252,269**	**34,356**	**4,971**	**712,396**
Accumulated depreciation and impairment:							
At 31 December 2017 and 1 January 2018	**11,490**	**157,691**	**103,382**	**143,345**	**22,644**	**–**	**438,552**
Provided during the year	**975**	**1,065**	**2,941**	**10,785**	**2,500**	**–**	**18,266**
Disposals	**–**	**–**	**(369)**	**(141)**	**(260)**	**–**	**(770)**
At 31 December 2018	**12,465**	**158,756**	**105,954**	**153,989**	**24,884**	**–**	**456,048**
Net carrying amount:							
At 1 January 2018	**12,198**	**7,832**	**20,063**	**77,520**	**11,530**	**7,772**	**136,915**
At 31 December 2018	**11,542**	**37,797**	**94,286**	**98,280**	**9,472**	**4,971**	**256,348**
31 December 2017							
Cost:							
At 1 January, 2017	21,886	165,523	122,886	203,557	33,698	2,946	550,496
Additions	–	–	648	18	818	25,369	26,853
Disposals and write-off	–	–	(89)	(1,451)	(342)	–	(1,882)
Transferred	1,802	–	–	18,741	–	(20,543)	–
At 31 December 2017	23,688	165,523	123,445	220,865	34,174	7,772	575,467
Accumulated depreciation and impairment:							
At 1 January 2017	10,541	157,105	101,119	134,609	20,164	–	423,538
Provided during the year	949	586	2,349	10,115	2,770	–	16,769
Disposals	–	–	(86)	(1,379)	(290)	–	(1,755)
At 31 December 2017	11,490	157,691	103,382	143,345	22,644	–	438,552
Net carrying amount:							
At 1 January 2017	11,345	8,418	21,767	68,948	13,534	2,946	126,958
At 31 December 2017	12,198	7,832	20,063	77,520	11,530	7,772	136,915

As at 31 December 2018, the Group was in the process of applying for the title certificates of certain of its buildings with an aggregate net carrying amount of approximately RMB1,394,000 (2017: RMB1,475,000). The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings.

13. SERVICE CONCESSION ARRANGEMENTS

	2018	2017
	RMB'000	*RMB'000*
Cost:		
At beginning of the year	**4,522,754**	3,578,834
Additions	**842,992**	943,685
Fair value of a government grant related to an asset *(note (d))*	**(824,699)**	–
Interest expenses capitalised *(note (c))*	**1,337**	235
At end of the year	**4,542,384**	4,522,754
Accumulated amortisation:		
At beginning of the year	**1,062,191**	945,766
Charged for the year	**145,463**	116,425
At end of the year	**1,207,654**	1,062,191
Net carrying amount:		
At beginning of the year	**3,460,563**	2,633,068
At end of the year	**3,334,730**	3,460,563

Notes:

(a) The concession rights pertaining to certain expressways of the Group with net carrying amounts listed below were pledged to interest-bearing secure bank loans and other borrowings granted to the Group (note 21(a)):

	2018	2017
	RMB'000	*RMB'000*
Chengpeng Expressway	**1,377,302**	1,401,174
Chengwenqiong Expressway	**1,206,341**	1,268,113
Chengdu Airport Expressway	**–**	212,110
	2,583,643	2,881,397

13. SERVICE CONCESSION ARRANGEMENTS *(continued)*

Notes: (continued)

(b) During the year, the Group was in the construction of the expansion project of Chengpeng Expressway. Total construction costs (including interest expenses capitalised) of RMB844,329,000 were incurred (2017: RMB943,920,000). All construction works were sub-contracted to third party subcontractors.

In addition, construction revenue of RMB844,329,000 (2017: RMB943,920,000) was recognised in respect of the construction service provided by the Group for the expansion project of Chengpeng Expressway using the input method during the year. Construction revenue was included in the additions to service concession arrangements which should be amortised upon the completion of the expansion projects and commencement of operation.

(c) Additions to service concession arrangements during the year included interest capitalised in respect of bank loans amounting to RMB1,337,000 (2017: RMB235,000) (note 6).

(d) During the year, the expansion project of Chengpeng Expressway was completed and the previously-closed part of Chengpeng Expressway was reopened on 12 July 2018. The fair value of the government grant related to the expansion project of Chengpeng Expressway amounting to RMB824,699,000 was deducted the carrying amount of the service concession arrangements and released to profit or loss by way of a reduced amortisation charged.

14. INVESTMENT IN AN ASSOCIATE

	2018 ***RMB'000***	2017 *RMB'000*
Share of net assets	**126,141**	123,728

The Group's investment in an associate represents a 40% equity interest in Chengbei Exit Expressway Company, which engages in the construction and operation of Chengbei Exit Expressway and Qinglongchang Bridge in Chengdu, Sichuan Province of the PRC.

14. INVESTMENT IN AN ASSOCIATE *(continued)*

The following table illustrates the summarised financial information in respect of Chengbei Exit Expressway Company, which is considered a material associate, reconciled to the carrying amount in the consolidated financial statements:

	2018	2017
	RMB'000	*RMB'000*
Current assets	**147,938**	114,573
Non-current assets	**193,422**	218,559
Current liabilities	**(26,007)**	(23,812)
Net assets	**315,353**	309,320
Reconciliation to the Group's interest in the associate:		
Proportion of ownership	**40%**	40%
Share of net assets of the associate	**126,141**	123,728
Carrying amount of the investment	**126,141**	123,728

	2018	2017
	RMB'000	*RMB'000*
Revenue	**116,571**	110,193
Profit and total comprehensive income for the year	**54,791**	54,494
Dividend received	**(19,503)**	(15,603)

15. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Provision for impairment of fixed assets *RMB'000*	Accounting amortisation in excess of tax amortisation *RMB'000*	Deferred income *RMB'000*	Total *RMB'000*
At 1 January 2017	723	715	12,504	13,942
Effect of change in tax rate *(note 9)*	–	–	3,379	3,379
Deferred tax charged to profit or loss during the year *(note 9)*	(205)	(105)	(892)	(1,202)
At 31 December 2017 and 1 January 2018	**518**	**610**	**14,991**	**16,119**
Deferred tax charged to profit or loss during the year *(note 9)*	**(204)**	**(610)**	**(772)**	**(1,586)**
At 31 December 2018	**314**	**–**	**14,219**	**14,533**

Deferred tax liabilities

	Tax amortisation allowance in excess of related accounting amortisation *RMB'000*
At 1 January 2017	8,530
Effect of change in tax rate *(note 9)*	1,832
Deferred tax charged to profit or loss during the year *(note 9)*	2,631
At 31 December 2017 and 1 January 2018	**12,993**
Deferred tax charged to profit or loss during the year *(note 9)*	**4,700**
At 31 December 2018	**17,693**

15. DEFERRED TAX *(continued)*

Deferred tax liabilities *(continued)*

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for reporting purposes:

	2018	2017
	RMB'000	*RMB'000*
Gross deferred tax assets	**1,312**	12,555
Gross deferred tax liabilities	**(976)**	(6,590)
Net deferred tax assets	**336**	5,965
Gross deferred tax liabilities	**16,717**	6,403
Gross deferred tax assets	**(13,221)**	(3,564)
Net deferred tax liabilities	**3,496**	2,839

Withholding Tax ("WHT") for dividends paid to foreign investors

Pursuant to Cai Shui [2008] Circular 1 jointly issued by the Ministry of Finance and the State Administration of Taxation, where the Company declares a dividend in or after 2008 and beyond out of the cumulative retained profits as of 31 December 2007 (i.e., 2007 retained profits), these dividends earned by the foreign shareholders are exempted from WHT; for a dividend which arises from the Company's profit earned after 1 January 2008, WHT is levied on the foreign shareholders. WHT for dividends paid to foreign shareholders are subject to a 10% WHT for the dividend repatriated by the Company starting from 1 January 2008, unless otherwise specified by the tax regulations and relevant tax agreements. The Company will fulfil the obligation of WHT for 2018 final dividends which will be paid to foreign shareholders before 31 August 2019.

16. TRADE RECEIVABLES

Trade receivables are analysed by categories as follows:

	2018 RMB'000	2017 RMB'000
Batch payment arrangements	**27,100**	25,738
Inter-network toll collection and Electronic Toll Collection ("ETC") receivables	**5,564**	6,658
	32,664	32,396
Impairment allowance	**–**	–
	32,664	32,396

The Group's trade receivables mainly arose from toll income receivables under the batch payment arrangements (the "Arrangements") on Chengpeng Expressway and Chengwenqiong Expressway. In accordance with the Arrangements entered into between the Group and certain local government agencies in Chengdu, the relevant government agencies agreed to pay the Group an amount of batch payment fee for a certain period in consideration for certain qualified passenger vehicles can pass through these two expressways without toll payment. Under the Arrangements, the batch payment fee is determined by reference to the actual traffic information and the current toll fee standards of relevant toll roads, factors affecting future traffic volumes, such as economic growth and consumption level forecast, changes of road network conditions and the potential upside impact on traffic volume. They are settled in accordance with the credit period of 1 month to 3 months as specified in the relevant contracts governing the Agreements.

The Group seeks to maintain strict control over the outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An ageing analysis of the Group's trade receivables as at the end of the reporting period, based on the transaction date and net of loss allowance for impairment of trade receivables, is as follows:

	2018 RMB'000	2017 RMB'000
Within 3 months	**32,664**	32,396

The ageing analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2018 RMB'000	2017 RMB'000
Neither past due nor impaired	**32,664**	32,396

The Group does not hold any collateral or other credit enhancements over these balances.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2018 RMB'000	2017 RMB'000
Current portion			
Prepayment to suppliers		**4,326**	2,921
Due from a related party	*29(c)*	**–**	301
Government grant receivable	*(a)*	**200,000**	–
Deferred listing fees	*(b)*	**44,586**	6,697
Rental income receivable		**2,577**	1,290
Interest receivable		**567**	–
Others		**4,956**	4,959
		257,012	16,168
Impairment allowance		**(2,750)**	(2,750)
		254,262	13,418
Non-current portion			
Government grant receivable	*(a)*	**230,247**	–
		484,509	13,418

Notes:

(a) The balance represented the government grant receivable related to the expansion project of Chengpeng Expressway. A government grant receivable, which is expected to be received after twelve months from the end of the reporting period is discounted to its present value and recorded as a non-current asset.

(b) Deferred listing fees represented legal and other professional fees relating to the listing which will be deducted from equity when the Company completes the listing.

18. CASH AND CASH EQUIVALENTS

	2018 RMB'000	2017 RMB'000
Cash and bank balances	**694,825**	1,139,951
Time deposits with original maturity of:		
– less than three months	**183,790**	–
– over three months	**80,000**	–
	958,615	1,139,951

At the end of the reporting period, cash and bank balances are denominated in RMB.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and six months depending on the immediate cash requirements of the Group and earn interest at the respective time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

19. TRADE PAYABLES

An ageing analysis of trade payables as of the end of the reporting period based on the invoice date is as follows:

	2018 RMB'000	2017 RMB'000
Within 3 months	**66,516**	519,187
3 to 6 months	**312,765**	22,894
6 to 12 months	**273,523**	174,857
Over 1 year	**353,423**	32,748
	1,006,227	749,686
Retention monies, included in trade payables	**28,313**	37,941

Trade payables are non-interest-bearing. Except for the retention money payables arising from construction and upgrade services which are normally settled between six months and one year, credit periods granted by each individual supplier or contractor are on a case-by-case basis and set out in the respective contracts.

20. OTHER PAYABLES AND ACCRUALS

	Notes	2018 RMB'000	2017 RMB'000
Current portion			
Payroll and welfare payables		**11,041**	9,506
Taxes and surcharge payables		**26,140**	26,487
Due to a related party	*29(c)*	**43**	–
Inter-network toll collection payable	*(a)*	**9,067**	85,728
Deposits		**16,812**	17,900
Listing fees payable		**11,844**	853
Interest payable		**1,464**	2,065
Deferred income	*(b)*	**4,062**	4,062
Consultancy and professional fees		**3,323**	–
Others		**16,675**	13,848
		100,471	160,449
Non-current portion			
Deferred income	*(b)*	**54,072**	258,134
		154,543	418,583

Notes:

(a) The balance represented the expressway tolls pending for allocation to other expressway operators.

(b) Deferred income at the end of the reporting period includes the following items:

	2018 RMB'000	2017 RMB'000
Leasing income received in advance*		
– Current	**4,062**	4,062
– Non-current	**54,072**	58,134
Government grants**	**–**	200,000
	58,134	262,196

* The balance represented leasing income received in advance for occupying the Group's land along the expressways. Deferred income of the Group to be released to profit or loss after twelve months from the end of the year has been recorded as a non-current liability.

** The balance represented government grants received in connection to the expansion project of Chengpeng Expressway. Such grants have been deducted from the carrying amount of the service concession arrangements upon the completion of the expansion project during the year.

21. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	2018 Effective interest rate (%)	2018 Maturity	2018 RMB'000	2017 Effective interest rate (%)	2017 Maturity	2017 RMB'000
Current:							
Bank loans – secured	*(a)*	**4.41-4.90**	**2019**	**35,000**	4.41-4.90	2018	75,000
Bank loans – unsecured	*(b)*	**4.41-4.90**	**2019**	**80,000**	4.41-4.90	2018	70,000
Other loans – secured	*(c)*	**4.90**	**2019**	**110,000**	4.90	2018	100,000
				225,000			245,000
Non-Current:							
Bank loans – secured	*(a)*	**4.41-4.90**	**2020-2036**	**934,000**	4.41-4.90	2019-2036	606,000
Bank loans – unsecured	*(b)*	**4.41-4.90**	**2020-2025**	**274,500**	4.41-4.90	2019-2025	374,500
Other loans – secured	*(c)*	**4.90**	**2020-2025**	**120,000**	4.90	2019-2025	230,000
				1,328,500			1,210,500
				1,553,500			1,455,500

	2018 *RMB'000*	2017 *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year	**115,000**	145,000
In the second year	**147,500**	165,000
In the third to fifth years, inclusive	**400,000**	342,500
Beyond five years	**661,000**	473,000
	1,323,500	1,125,500
Other borrowings repayable:		
Within one year	**110,000**	100,000
In the second year	**120,000**	110,000
In the third to fifth years, inclusive	**–**	120,000
	230,000	330,000
Total bank and other borrowings	**1,553,500**	1,455,500

21. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Notes:

(a) The bank loans were secured by the service concession rights (note 13(a)) with net carrying amounts as follows:

	2018	2017
	RMB'000	*RMB'000*
Chengpeng Expressway	**1,377,302**	1,401,174
Chengwenqiong Expressway	**1,206,341**	1,268,113
Chengdu Airport Expressway	**–**	212,110
	2,583,643	2,881,397

(b) The bank borrowings of approximately RMB354,500,000 as at 31 December 2018 (2017: RMB444,500,000) were guaranteed by the Company and Chengwenqiong Expressway Company at nil consideration.

(c) The other borrowings of approximately RMB230,000,000 as at 31 December 2018 (2017: RMB330,000,000) was secured by Chengwenqiong Expressway (note 13(a)) with a net carrying amount of RMB1,206,341,000 as at 31 December 2018 (2017: RMB1,268,113,000)

At the end of the reporting period, all interest-bearing bank and other borrowings were denominated in RMB.

22. ISSUED CAPITAL

	2018	2017
	RMB'000	*RMB'000*
Issued capital	**1,200,000**	1,200,000

The Company is a limited liability company established in China on 25 August 1998 and was converted into a joint stock company with limited liability on 21 November 2016. Pursuant to the approval of the State-owned Assets Supervision and Administration Commission Chengdu Municipal Government, the Company's equity as at 30 June 2016 of RMB1,422,865,000 was converted into share capital with an amount of RMB1,200,000,000 and capital reserve with an amount of RMB222,865,000 of the joint stock company with limited liability. Upon the computation of the conversion, the capital of the Company was RMB1,200,000,000, divided into 1,200,000,000 ordinary shares of RMB1.00 each. Zhongtianyun Certified Public Accountants (中天運會計師事務所（特殊普通合夥）四川分所) have verified the issued share capital, and issued a related capital verification report of Zhongtianyun Yan Zi [2016] No. 00007.

23. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

(a) Capital reserve

The application of the share premium account is governed by the Company Law of the PRC. Under the constitutional documents and the Company Law of the PRC, the share premium is distributable as a dividend in the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

(b) Statutory reserve

In accordance with the Company Law of the PRC and the respective articles of association of subsidiaries domiciled in Mainland China, each of the PRC subsidiaries is required to allocate 10% of its profit after tax, as determined in accordance with PRC Generally Accepted Accounting Principles ("GAAP"), to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of its registered capital.

According to the articles of association of the subsidiaries located in Mainland China, the Company and the subsidiaries are required to allocate 10% of their profit after tax in accordance with PRC GAAP to the SSR.

The SSR is non-distributable except in the event of liquidation and subject to certain restrictions set out in the relevant PRC regulations. They can be used to offset accumulated losses or capitalised as paid-up capital.

(c) Other reserve

It represents the fair value of 40% of the share of identifiable net assets of Chengbei Exit Expressway Company's attributable share as at the acquisition date of RMB121,818,000.

24. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2018	2017
Percentage of equity interest held by non-controlling interests at the reporting dates:		
Chengdu Airport Expressway Company	**45.00%**	45.00%

	2018	2017
	RMB'000	*RMB'000*
Accumulated balances of non-controlling interests at the reporting dates:		
Chengdu Airport Expressway Company	**132,952**	128,790

	2018	2017
	RMB'000	*RMB'000*
Profit for the year allocated to non-controlling interests of Chengdu Airport Expressway Company	**30,523**	28,807
Dividends paid to non-controlling shareholders of Chengdu Airport Expressway Company	**26,361**	38,237

The following tables illustrate the summarised financial information of Chengdu Airport Expressway Company:

	2018	2017
	RMB'000	*RMB'000*
Revenue	**144,109**	142,626
Total expenses	**(76,280)**	(78,611)
Profit and total comprehensive income for the year	**67,829**	64,015
Net cash flows from operating activities	**99,473**	99,796
Net cash flows used in investing activities	**(153)**	(2,075)
Net cash flows used in financing activities	**(140,485)**	(128,866)
Net decrease in cash and cash equivalents	**(41,165)**	(31,145)

24. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(continued)*

	2018	2017
	RMB'000	*RMB'000*
Current assets	**120,320**	160,363
Non-current assets	**191,866**	227,094
Current liabilities	**(16,364)**	(60,177)
Non-current liabilities	**(374)**	(41,082)

25. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Bank and other borrowings	**Due to a related party**	**Interest payable**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2017	1,611,409	375,000	2,276
Changes from financing cash flows	(155,909)	(375,000)	(72,558)
Interest expenses	–	–	72,112
Interest capitalised	–	–	235
At 31 December 2017 and 1 January 2018	**1,455,500**	**–**	**2,065**
Changes from financing cash flows	**98,000**	**–**	**(73,639)**
Interest expenses	**–**	**–**	**71,701**
Interest capitalised	**–**	**–**	**1,337**
At 31 December 2018	**1,553,500**	**–**	**1,464**

26. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities.

27. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its office buildings and service zones under operating lease arrangements, with leases negotiated for terms ranging from 1 to 20 years.

As at the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018	2017
	RMB'000	*RMB'000*
Within one year	**966**	843
In the second to fifth years, inclusive	**1,949**	2,211
After five years	**2,547**	2,964
	5,462	6,018

(b) As lessee

The Group leases certain of its land and offices under operating lease arrangements as it is not in the best interest of the Group to purchase these assets. Leases for land are negotiated to have lives of 8.5 to 18.6 years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018	2017
	RMB'000	*RMB'000*
Within one year	**3,803**	3,803
In the second to fifth years, inclusive	**15,324**	15,213
After five years	**30,438**	34,351
	49,565	53,367

28. COMMITMENTS

In addition to the operating lease commitments detailed in note 27 above, the Group had the following capital commitments at the end of the reporting period:

	2018	2017
	RMB'000	*RMB'000*
Contracted, but not provided for:	**10,520**	780,874

29. RELATED PARTY TRANSACTIONS AND BALANCE

The Directors are of the view that the following companies are related parties that had material transactions or balances with the Group during the year.

(a) Name of related parties and their relationships with the Group

Related parties	**Relationships**
Chengdu Communications	Ultimate holding company
Chengdu Expressway Construction	Parent company
Chengdu Transportation Junction Construction Management Co., Ltd. ("Chengdu Junction")	A company controlled by Chengdu Communications
Chengdu Communications Assets Management Co., Ltd. ("Assets Management")	A company controlled by Chengdu Communications
Chengdu Zhongyou Energy Co., Ltd. ("Zhongyou Energy")	An indirect associate of Chengdu Communications

In addition to the transactions detailed elsewhere in this report, the Group had the following transactions with related parties:

(b) Transactions with related parties

(1) Details of repayment of loans to/(from) related parties

	2018	2017
	RMB'000	*RMB'000*
Chengdu Communications	–	375,000
Chengdu Communications	–	(2,364)
Chengdu Expressway Construction	–	(53,426)

29. RELATED PARTY TRANSACTIONS AND BALANCE *(continued)*

(b) Transactions with related parties *(continued)*

(2) Land leasing income received

	2018	2017
	RMB'000	*RMB'000*
Zhongyou Energy	**591**	1,146

The Directors consider that the rental expenses charged to Zhongyou Energy as determined under the tenancy agreement are based on market rates for similar premises at similar locations.

(3) Properties leased from a related party

	2018	2017
	RMB'000	*RMB'000*
Chengdu Junction	**1,070**	891

The Directors consider that the office rental expenses paid by the Group to Chengdu Junction as determined under the tenancy agreement were based on market rates for similar locations.

(4) Property management and other general services from related parties

	2018	2017
	RMB'000	*RMB'000*
Assets Management	**690**	330
Chengdu Junction	**135**	30

The Directors consider that property management and other general service expenses paid by the Group to Assets Management and Chengdu Junction as determined under the property management and other general service agreements were based on market rates for similar locations/services.

29. RELATED PARTY TRANSACTIONS AND BALANCE *(continued)*

(c) Balances with related parties

	Notes	2018 RMB'000	2017 RMB'000
Due from related parties:			
Non-trade in nature			
– Chengdu Junction	*(i)*	**178**	178
– Zhongyou Energy	*17, (ii)*	**–**	301
		178	479
Due to a related party:			
Non-trade in nature			
Assets Management	*20, (iii)*	**43**	–

(i) The balance due from Chengdu Junction represented office leasing rental prepaid to Chengdu Junction.

(ii) The balance due from Zhongyou Energy represented a leasing rental receivable from Zhongyou Energy.

(iii) The balance due to Assets Management represented management and other general service fees payable to Assets Management.

(d) Compensation of key management personnel of the Group

	2018 RMB'000	2017 RMB'000
Fee	**480**	–
Salaries, allowances and benefits in kind	**3,554**	3,052
Pension scheme contributions	**466**	380
	4,500	3,432

Further details of directors' and supervisor's emoluments are included in note 8 to the financial statements.

The related party transactions in respect of item (b)(3) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	2018	2017
	RMB'000	*RMB'000*
Financial assets at amortised cost		
Trade receivables	**32,664**	32,396
Financial assets included in prepayments, deposits and other receivables	**435,597**	3,800
Cash and cash equivalents	**958,615**	1,139,951
	1,426,876	1,176,147
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss	**500**	500
	1,427,376	1,176,647

Financial liabilities

	2018	2017
	RMB'000	*RMB'000*
Financial liabilities at amortised cost		
Trade payables	**1,006,227**	749,686
Financial liabilities included in other payables and accruals	**59,228**	117,658
Interest-bearing bank and other borrowings	**1,553,500**	1,455,500
	2,618,955	2,322,844

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values due to their short terms to maturity, are as follows:

	Carrying amounts		Fair value	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Carrying amounts				
Financial assets				
Financial assets at fair value through profit or loss	**500**	500	**500**	500
Government grant receivable, non-current portion	**230,248**	–	**230,248**	–
Financial liabilities				
Interest-bearing bank and other borrowings, non-current portion:				
– Bank loans	**1,208,500**	980,500	**1,227,747**	980,740
– Other borrowings	**120,000**	230,000	**123,985**	243,271

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, the current portion of financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals, the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

Management has assessed that the fair value of financial assets at fair value through profit and loss approximates to its carrying amount based on valuation techniques which requires significant unobservable input.

The fair values of the non-current portion of the Group's government grant receivable and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, adjusted by the Group's or the subsidiaries' own non-performance risk where appropriate.

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The fair value measurement hierarchy of the Group's non-current portion of financial assets and financial liabilities for which fair values are disclosed is considered to be Level 3, which required significant unobservable inputs as at the end of reporting period. The fair value measurement hierarchy of the financial assets at fair value through profit or loss requires significant unobservable inputs (Level 3). The significant unobservable input used in the fair value measurement is the discount rate and long-term growth rate. It's estimated that with all other variables held constant, a decrease/(an increase) in the estimated discount rate and an increase/(a decrease) in the estimated long-term growth rate would result in an increase/(a decrease) in the fair value of the financial assets at fair value through profit or loss.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, trade and other receivables, cash and cash equivalents, and trade and other payables. The main purpose of these financial instruments is to raise finance for the Group's operations. It is the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The interest rates and terms of repayment of interest-bearing bank and other borrowings are disclosed in note 21. The Group does not have any significant exposure to the risk of changes in market interest rates as the Group does not have any long term receivables and loans which are subject to floating interest rates.

Credit risk

The carrying amounts of cash and cash equivalents, trade receivables and financial assets included in prepayments, deposits and other receivables represent the Group's maximum exposure to credit risk in relation to these financial assets. Substantially all of the Group's cash and cash equivalents are held in major financial institutions located in Mainland China, which management believes are of high credit quality. The Group controls the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the credit exposure to a single financial institution to an acceptable level.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

(i) Credit risk of cash and cash equivalents

To manage this risk arising from cash and cash equivalents, they are mainly placed with banks with high credit rating. There has been no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

(ii) Credit risk of trade receivables

As the Group's major receivables are from government agencies, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these receivables. The senior management of the Company keeps reviewing and assessing the creditworthiness of the Group's existing customers on an ongoing basis and Directors consider that the expected credit risks of them are minimal in view of the history of cooperation with them.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 16 to the financial statements.

(iii) Credit risk of other receivables

Other receivables at the end of each of the reporting period mainly comprised a government grant receivable and rental income receivables. Directors consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the year. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the third party's ability to meet its obligations;
- actual or expected significant changes in the operating results of the third party;
- significant changes in the expected performance and behaviour of the third party, including changes in the payment status of the third party.

For other receivables, Directors make periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. Directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables. Therefore, the expected credit loss is estimated to be minimal.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

(iii) Credit risk of other receivables (continued)

Based on historical experience, except for the government grant receivable, a majority of the other receivables were settled within 1 month after upon maturity, hence, the expected credit loss is close to zero. The Directors consider that the expected credit risk of government grant receivable is minimal as the receivable is due from Chengdu Municipal Government where the Group believes that they are of high credit quality.

The Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors, and adjusts for forward-looking macroeconomic data.

No significant changes to estimation techniques or assumptions were made during the year.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash flows from operations to meet its debt obligations as they fall due.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2018					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Interest-bearing bank and other borrowings	**–**	**18,030**	**275,009**	**846,593**	**729,068**	**1,868,700**
Trade payables	**689,228**	**285,186**	**31,813**	**–**	**–**	**1,006,227**
Other payables and accruals	**5,844**	**21,796**	**31,588**	**–**	**–**	**59,228**
	695,072	**325,012**	**338,410**	**846,593**	**729,068**	**2,934,155**

	2017					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	–	56,176	249,606	871,592	520,502	1,697,876
Trade payable	192,817	518,928	37,941	–	–	749,686
Other payables and accruals	11,112	88,646	17,900	–	–	117,658
	203,929	663,750	305,447	871,592	520,502	2,565,220

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The Group's objectives for capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for the shareholders and benefits for other stakeholders, and to provide an adequate return for shareholders by pricing services and products commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt comprises trade payables, interest-bearing bank and other borrowings, other payables and accruals, and tax payable, less cash and cash equivalents. Capital represents equity attributable to owners of the Company.

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses. The gearing ratios as at the end of the reporting periods were as follows:

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**1,006,227**	749,686
Other payables and accruals	**100,471**	160,449
Tax payable	**12,032**	20,362
Interest-bearing bank and other borrowings	**1,553,500**	1,455,500
Less: Cash and cash equivalents	**(958,615)**	(1,139,951)
Net debt	**1,713,615**	1,246,046
Total equity	**2,464,378**	2,267,108
Capital and net debt	**4,177,993**	3,513,154
Gearing ratio	**41%**	35%

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018	2017
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**45,763**	43,464
Service concession arrangements	**549,504**	579,166
Software	**80**	329
Investments in subsidiaries	**1,635,921**	1,279,211
Investment in an associate	**126,141**	123,728
Total non-current assets	**2,357,409**	2,025,898
CURRENT ASSETS		
Trade receivables	**3,993**	4,297
Prepayments, deposits and other receivables	**49,397**	8,050
Dividend receivables	**–**	92,369
Cash and cash equivalents	**283,636**	427,664
Total current assets	**337,026**	532,380
CURRENT LIABILITIES		
Tax payable	**6,640**	13,423
Trade payables	**25,738**	31,252
Other payables and accruals	**36,386**	23,638
Interest-bearing bank loans	**30,000**	30,000
Total current liabilities	**98,764**	98,313
NET CURRENT ASSETS	**238,262**	434,067
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,595,671**	2,459,965
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	**215,000**	245,000
Deferred tax liabilities	**3,036**	1,757
Deferred income	**11,330**	12,401
Total non-current liabilities	**229,366**	259,158
Net assets	**2,366,305**	2,200,807
EQUITY		
Issued capital	**1,200,000**	1,200,000
Reserves *(note)*	**1,166,305**	1,000,807
Total equity	**2,366,305**	2,200,807

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Capital reserve	Statutory surplus reserve	Retained earnings	Other reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	222,865	19,589	135,071	–	377,525
Total comprehensive income for the year	–	–	425,356	–	425,356
Transfer from retained earnings	–	42,023	(42,023)	–	–
Contribution of the equity interest in a subsidiary by former shareholder of Chengwenqiong Expressway Company	–	–	–	315,670	315,670
Deemed partial disposal of an interest in a subsidiary	–	–	–	(837)	(837)
Dividend declared	–	–	(116,907)	–	(116,907)
At 31 December 2017 and 1 January 2018	**222,865**	**61,612**	**401,497**	**314,833**	**1,000,807**
Total comprehensive income for the year	**–**	**–**	**387,489**	**–**	**387,489**
Transfer from retained earnings	**–**	**39,092**	**(39,092)**	**–**	**–**
Dividend declared	**–**	**–**	**(221,991)**	**–**	**(221,991)**
At 31 December 2018	**222,865**	**100,704**	**527,903**	**314,833**	**1,166,305**

According to the relevant regulations in the PRC, the amount of reserves available for distribution is the lower of the amount determined under PRC Generally Accepted Accounting Principles and the amount determined under IFRSs.

34. EVENTS AFTER THE REPORTING PERIOD

(a) In connection with the Listing of the shares of the Company on the Stock Exchange, 400,000,000 new H shares with a nominal value of RMB1 each were issued at a price of HK$2.20 per ordinary share for a total cash consideration of HK$880,000,000, before deducting underwriting fees, commissions and related expenses. Dealings in the shares of the Company on the Stock Exchange commenced on 15 January 2019.

(b) On 4 February 2019, the over-allotment option was partially exercised in respect of an aggregate of 56,102,000 H Shares, representing approximately 14.03% of the aggregate number of the offer shares initially available under the global offering before any exercise of the over-allotment option. The over-allotment shares were issued and allotted by the Company at HK$2.20 per H share. Dealings in the over-allotment shares on the Stock Exchange commenced on 12 February 2019.

Except for the events mentioned above, no other significant events that require additional disclosure or adjustments occurred after the reporting period.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board on 27 March 2019.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Tang Fawei *(General Manager)*
Mr. Zhang Dongmin
Ms. Wang Xiao
Mr. Luo Dan

Non-executive Directors

Mr. Xiao Jun *(Chairman of the Board)*
Mr. Yang Bin

Independent non-executive Directors

Mr. Shu Wa Tung, Laurence
Mr. Ye Yong
Mr. Li Yuanfu

JOINT COMPANY SECRETARIES

Mr. Zhang Guangwen
Ms. Kwong Yin Ping, Yvonne

AUDIT AND RISK MANAGEMENT COMMITTEE

Mr. Shu Wa Tung, Laurence *(Chairman)*
Mr. Ye Yong
Mr. Yang Bin

NOMINATION COMMITTEE

Mr. Xiao Jun *(Chairman)*
Mr. Li Yuanfu
Mr. Ye Yong

REMUNERATION AND EVALUATION COMMITTEE

Mr. Ye Yong *(Chairman)*
Mr. Luo Dan
Mr. Li Yuanfu

STRATEGY AND DEVELOPMENT COMMITTEE

Mr. Tang Fawei *(Chairman)*
Ms. Wang Xiao
Mr. Shu Wa Tung, Laurence

PRINCIPAL BANKS

Bank of China
Chengdu Shudu Branch

Industrial and Commercial Bank
Sichuan Chengdu Jinniu Branch

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CORPORATE INFORMATION

SUPERVISORY COMMITTEE

Ms. Jiang Yan *(Chairman of the Supervisory Committee)*
Ms. Wu Haiyan
Mr. Pan Xin
Ms. Xu Jingxian *(employee representative Supervisor)*
Mr. Zhang Jian *(employee representative Supervisor)*

AUTHORISED REPRESENTATIVES

Mr. Luo Dan
Mr. Zhang Guangwen

AUDITOR

Ernst & Young

LEGAL ADVISERS

As to Hong Kong Law:
DLA Piper Hong Kong

As to PRC Law:
Tahota Law Firm (泰和泰律師事務所)

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